

Riverwood Community Development District

ANNUAL FINANCIAL REPORT

September 30, 2012

Riverwood Community Development District

ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2012

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Report of Independent Auditors

To the Board of Supervisors
Riverwood Community Development District
Charlotte County, Florida

We have audited the accompanying basic financial statements of Riverwood Community Development District as of and for the year ended September 30, 2012, as listed in the table of contents. These basic financial statements are the responsibility of Riverwood Community Development District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of Riverwood Community Development District as of September 30, 2012, and the respective changes in financial position, cash flows for the Enterprise Fund and the budgetary comparison for the General Fund 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 March 28, 2013, on our consideration of Riverwood Community Development District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Berger, Toombs, Elam,
Gaines & Frank

Certified Public Accountants

To the Board of Supervisors
Riverwood Community Development District
Charlotte County, Florida

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Berger, Toombs, Elam,
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

March 28, 2013

**Riverwood Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2012**

Management's discussion and analysis of Riverwood Community Development District's (the "District") financial performance provides an objective and easily readable analysis of the District's financial activities. The analysis provides summary financial information for the District and should be read in conjunction with the District's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's basic financial statements comprise three components; 1) *Government-wide financial statements*, 2) *Fund financial statements*, and 3) *Notes to financial statements*. The *Government-wide financial statements* present an overall picture of the District's financial position and results of operations. The *Fund financial statements* present financial information for the District's major funds. The *Notes to financial statements* provide additional information concerning the District's finances.

The *Government-wide financial statements* are the **statement of net assets** and the **statement of activities**. These statements use accounting methods similar to those used by private-sector companies. Emphasis is placed on the net assets of governmental activities and business-type activities and the change in net assets. Governmental activities are primarily supported by assessments. Business-type activities are supported by charges to the users of those activities, such as water and sewer usage.

The **statement of net assets** presents information on all assets and liabilities of the District, with the difference between assets and liabilities reported as net assets. Net assets are reported in three categories; 1) invested in capital assets, net of related debt, 2) restricted and 3) unrestricted. Assets, liabilities, and net assets are reported for all Governmental activities separate from the assets, liabilities, and net assets of business-type activities.

The statement of activities presents information on all revenues and expenses of the District and the change in net assets. Expenses and related program revenues are reported by major function, providing the net cost of all functions provided by the District. To assist in understanding the District's operations, expenses have been reported as governmental activities or business-type activities. Governmental activities financed by the District include general government, physical environment, and interest on long term debt. Business-type activities of the District include the water and sewer operation and interest on long term debt.

Fund financial statements present financial information for governmental funds and enterprise funds. These statements provide financial information for the major and other governmental funds of the District. Governmental fund financial statements provide information on the current assets and liabilities of the funds, changes in current financial resources (revenues and expenditures), and current available resources. The Water and Sewer fund financial statements provide information on all assets and liabilities of the fund, changes in the economic resources (revenues and expenses), and total economic resources.

**Riverwood Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2012**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund financial statements include a **balance sheet** and a **statement of revenues, expenditures and changes in fund balances** for all governmental funds. A **statement of revenues, expenditures, and changes in fund balances – budget and actual** is provided for the District's General Fund. For the Water and Sewer fund, a **statement of net assets**, a **statement of revenues, expenses, and changes in net assets**; and a **statement of cash flows** are presented. *Fund financial statements* provide more detailed information about the District's activities. Individual funds are established by the District to track revenues that are restricted to certain uses or to comply with legal requirements.

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 expendable resources, as well as balances of expendable 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.

Notes to financial statements provide additional detail concerning the financial activities and financial balances of the District. Additional information about the accounting practices of the District, investments of the District, capital assets and long-term debt are some of the items included in the *Notes to financial statements*.

Financial Highlights

The following are the highlights of financial activity for the year ended September 30, 2012.

- ◆ The District's total assets exceeded total liabilities by \$15,434,989 (net assets). Invested in capital assets net of related debt for Governmental Activities were \$5,247,415. Invested in capital assets net of related debt for Business-type activity were \$5,977,853. Unrestricted net assets for Governmental Activities were \$1,374,045 and for Business-type activity was \$626,572. Restricted net assets for Governmental Activities were \$539,945. Restricted net assets for Business-type activity were \$1,669,159.
- ◆ Governmental activities revenues totaled \$1,602,138 while governmental activities expenses totaled \$1,644,518. Business-type revenues totaled \$2,639,784 while business-type expenses totaled \$1,528,936.

**Riverwood Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2012**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District

The following schedule provides a summary of the assets, liabilities and net assets of the District and is presented by category for comparison purposes.

	Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current assets	\$ 1,405,568	\$ 1,198,427	\$ 2,249,563	\$ 2,500,297	\$ 3,655,131	\$ 3,698,724
Restricted assets	1,055,146	1,127,162	283,086	291,260	1,338,232	1,418,422
Capital assets	7,520,349	8,740,785	6,441,904	5,152,178	13,962,253	13,892,963
Other assets	5,677	10,138	2,265	4,403	7,942	14,541
Total Assets	9,986,740	11,076,512	8,976,818	7,948,138	18,963,558	19,024,650
Current liabilities	1,091,952	1,046,707	386,677	320,846	1,478,629	1,367,553
Non-current liabilities	1,733,383	2,826,020	316,557	464,556	2,049,940	3,290,576
Total Liabilities	2,825,335	3,872,727	703,234	785,402	3,528,569	4,658,129
Net Assets						
Invested in capital assets	5,247,415	5,439,585	5,977,853	4,548,150	11,225,268	9,987,735
Net assets - restricted	539,945	594,122	1,669,159	1,659,995	2,209,104	2,254,117
Net assets - unrestricted	1,374,045	1,170,078	626,572	954,591	2,000,617	2,124,669
Total Net Assets	\$ 7,161,405	\$ 7,203,785	\$ 8,273,584	\$ 7,162,736	\$ 15,434,989	\$ 14,366,521

Total assets for governmental activities decreased primarily due to depreciation expense for the current year.

Total assets and total net assets for business-type activities increased primarily due to increased operating revenues and grants in the current year.

Total liabilities decreased due to the decrease in long-term debt.

Invested in capital assets, net of related debt for governmental activities decreased primarily due to depreciation expense in excess of principal payments.

Invested in capital assets, net of related debt for business-type activities increased primarily due to capital additions and principal payments in excess of depreciation expense.

**Riverwood Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2012**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District (Continued)

The following schedule provides a summary of the changes in net assets of the District and is presented by category for comparison purposes.

Change In Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Program Revenues						
Charges for service	\$ 1,556,937	\$ 1,701,104	\$ 2,037,078	\$ 1,769,760	\$ 3,594,015	\$ 3,470,864
General Revenues						
Investment earnings	13,763	10,161	17,815	15,918	31,578	26,079
Other revenues	31,438	418,820	584,891	195,202	616,329	614,022
Total Revenues	<u>1,602,138</u>	<u>2,130,085</u>	<u>2,639,784</u>	<u>1,980,880</u>	<u>4,241,922</u>	<u>4,110,965</u>
Expenses						
General government	68,180	69,017	-	-	68,180	69,017
Physical environment	1,411,482	1,297,262	-	-	1,411,482	1,297,262
Water and sewer	-	-	1,505,665	1,564,489	1,505,665	1,564,489
Interest on long-term debt	164,856	213,216	23,271	30,493	188,127	243,709
Total Expenses	<u>1,644,518</u>	<u>1,579,495</u>	<u>1,528,936</u>	<u>1,594,982</u>	<u>3,173,454</u>	<u>3,174,477</u>
Change in Net Assets	(42,380)	550,590	1,110,848	385,898	1,068,468	936,488
Net Assets - Beginning of Year	<u>7,203,785</u>	<u>6,653,195</u>	<u>7,162,736</u>	<u>6,776,838</u>	<u>14,366,521</u>	<u>13,430,033</u>
Net Assets - End of Year	<u>\$ 7,161,405</u>	<u>\$ 7,203,785</u>	<u>\$ 8,273,584</u>	<u>\$ 7,162,736</u>	<u>\$ 15,434,989</u>	<u>\$ 14,366,521</u>

Governmental activities total revenues decreased primarily due to the receipt of activity center reserves in the prior year and decreased special assessments in the current year.

Business-type activities charges for services increased primarily due to compliance fees charged in the current year.

Business-type activities other revenues increased primarily due to increased grants and contributions.

Governmental activities total expenses increased primarily as a result of higher repair and maintenance costs.

**Riverwood Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2012**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Capital Assets Activity

The following schedule provides a summary of the District's capital assets activity as of September 30, 2012.

Description	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land and improvements	\$ 614,960	\$ 614,960	\$ 330,000	\$ 330,000	\$ 944,960	\$ 944,960
Construction in progress	-	-	1,298,052	155,553	1,298,052	155,553
Building and improvements	2,371,778	2,371,778	1,078,024	1,078,024	3,449,802	3,449,802
Equipment	12,500	12,500	-	-	12,500	12,500
Infrastructure	25,392,937	25,392,937	5,496,266	5,159,158	30,889,203	30,552,095
Accumulated depreciation	(20,871,826)	(19,651,390)	(1,760,438)	(1,570,557)	(22,632,264)	(21,221,947)
Total Capital Assets (Net)	<u>\$ 7,520,349</u>	<u>\$ 8,740,785</u>	<u>\$ 6,441,904</u>	<u>\$ 5,152,178</u>	<u>\$ 13,962,253</u>	<u>\$ 13,892,963</u>

During the year, depreciation expense for governmental activities was \$1,220,436. Business-type activities added \$337,108 of infrastructure and \$1,142,499 of construction in progress and depreciation expense was \$189,881.

General Fund Budgetary Highlights

The budget exceeded governmental expenditures primarily because of increased budgeted reserve funds.

There were no amendments to the September 30, 2012 budget.

Debt Management

Governmental Activities debt includes the following:

- ◆ In 1994, the District issued \$3,165,000 Series 1994A Special Assessment Revenue Bonds with a fixed interest rate of 7.75%. These bonds were issued to finance the second phase of the acquisition, construction and installation of roads, water management and control facilities, recreational facilities and certain other related projects and improvements located within and without the boundaries of the District. As of September 30, 2012, \$190,000 was still outstanding.
- ◆ In 2007, the District issued \$6,831,105 Series 2007A and 2007B Special Assessment Revenue Refunding Bonds with a fixed interest rate of 3.920% and 4.070% respectively. These bonds were issued to refund the Series 1992A, Series 2003, and the developer loan. As of September 30, 2012, \$883,393 of Series 2007A and \$1,700,000 of Series 2007B was still outstanding.

**Riverwood Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2012**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Debt Management (Continued)

Business-Type Activities debt includes the following:

- ◆ In 2007, the District issued \$1,020,000 Series 2007 Sewer System Revenue Refunding Bonds with a fixed interest rate of 4.070%. These bonds were issued to refund the Series 1994 bonds. As of September 30, 2012, \$468,180 was still outstanding.

Economic Factors and Next Year's Budget

Riverwood Community Development District does not expect any economic factors to have any significant effect on the financial position or results of operations of the District in fiscal year 2013.

Request for Information

This financial report is designed to provide homeowners, 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 Riverwood Community Development District, Severn Trent Management Services, Inc. at 210 North University Drive, Suite 702, Coral Springs, Florida 33071.

Riverwood Community Development District
STATEMENT OF NET ASSETS
September 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and equivalents	\$ 694,330	\$ 605,153	\$ 1,299,483
Investments, at fair value	676,713	1,219,505	1,896,218
Accounts receivable	30	230,992	231,022
Prepaid items	4,418	2,925	7,343
Accrued interest receivable	5,023	-	5,023
Due from other governments	25,054	85,793	110,847
Restricted assets -			
Customer deposits	-	105,195	105,195
Total Current Assets	<u>1,405,568</u>	<u>2,249,563</u>	<u>3,655,131</u>
Non-current Assets			
Restricted assets			
Investments, at fair value	1,055,146	273,083	1,328,229
Accrued interest receivable	-	10,003	10,003
Bond issuance costs, net	5,677	2,265	7,942
Capital assets:			
Assets not being depreciated			
Land and improvements	614,960	330,000	944,960
Construction in progress	-	1,298,052	1,298,052
Assets being depreciated			
Buildings and improvements	2,371,778	1,078,024	3,449,802
Infrastructure	25,392,937	5,496,266	30,889,203
Equipment	12,500	-	12,500
Less: accumulated depreciation	<u>(20,871,826)</u>	<u>(1,760,438)</u>	<u>(22,632,264)</u>
Total Non-current Assets	<u>8,581,172</u>	<u>6,727,255</u>	<u>15,308,427</u>
Total Assets	<u>9,986,740</u>	<u>8,976,818</u>	<u>18,963,558</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	13,248	115,335	128,583
Due to other governments	-	6,702	6,702
Accrued interest payable	49,394	9,686	59,080
Bonds payable, current portion	1,029,310	149,759	1,179,069
Payable from restricted assets:			
Customer deposits	-	105,195	105,195
Total Current Liabilities	<u>1,091,952</u>	<u>386,677</u>	<u>1,478,629</u>
Non-current Liabilities			
Bonds payable	1,733,383	316,557	2,049,940
Total Liabilities	<u>2,825,335</u>	<u>703,234</u>	<u>3,528,569</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,247,415	5,977,853	11,225,268
Restricted for debt service	539,945	170,440	710,385
Restricted for renewal and replacement	-	1,498,719	1,498,719
Unrestricted	1,374,045	626,572	2,000,617
Total Net Assets	<u>\$ 7,161,405</u>	<u>\$ 8,273,584</u>	<u>\$ 15,434,989</u>

See accompanying notes to financial statements.

Riverwood Community Development District
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2012

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Assets		Total
			Governmental Activities	Business- type Activities	
Governmental Activities					
General government	\$ (68,180)	\$ 19,291	\$ (48,889)	\$ -	\$ (48,889)
Physical environment	(1,411,482)	399,372	(1,012,110)	-	(1,012,110)
Interest on long-term debt	(164,856)	1,138,274	973,418	-	973,418
Total Governmental Activities	<u>(1,644,518)</u>	<u>1,556,937</u>	<u>(87,581)</u>	<u>-</u>	<u>(87,581)</u>
Business-type Activities					
Water and sewer utilities	(1,505,665)	2,037,078	-	531,413	531,413
Interest on long-term debt	(23,271)	-	-	(23,271)	(23,271)
Total Business-type Activities	<u>(1,528,936)</u>	<u>2,037,078</u>	<u>-</u>	<u>508,142</u>	<u>508,142</u>
Total Primary Government	<u>\$ (3,173,454)</u>	<u>\$ 3,594,015</u>	<u>(87,581)</u>	<u>508,142</u>	<u>420,561</u>
General Revenues					
Investment earnings			13,763	17,815	31,578
Other revenues			31,438	584,891	616,329
Total General Revenues			<u>45,201</u>	<u>602,706</u>	<u>647,907</u>
Change in Net Assets			(42,380)	1,110,848	1,068,468
Net Assets - October 1, 2011			7,203,785	7,162,736	14,366,521
Net Assets - September 30, 2012			<u>\$ 7,161,405</u>	<u>\$ 8,273,584</u>	<u>\$ 15,434,989</u>

See accompanying notes to financial statements.

**Riverwood Community Development District
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2012**

	General	Debt Service Series 1994	Debt Service Series 2007A	Debt Service Series 2007B	Total Governmental Funds
ASSETS					
Cash and cash equivalent	\$ 694,330	\$ -	\$ -	\$ -	\$ 694,330
Investments, at fair value	676,713	-	-	-	676,713
Accounts receivable	30	-	-	-	30
Accrued interest receivable	5,023	-	-	-	5,023
Due from other governments	6,779	1,835	1,733	14,707	25,054
Prepaid items	4,418	-	-	-	4,418
Restricted assets					
Investments, at fair value	-	196,115	143,996	715,035	1,055,146
Total Assets	\$ 1,387,293	\$ 197,950	\$ 145,729	\$ 729,742	\$ 2,460,714
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued expenses	\$ 13,248	\$ -	\$ -	\$ -	\$ 13,248
Fund Balances:					
Nonspendable:					
Prepaid expenses	4,418	-	-	-	4,418
Investments	15,417	-	-	-	15,417
Restricted for debt service	-	197,950	145,729	729,742	1,073,421
Assigned:					
Roadways	535,124	-	-	-	535,124
Activity center	444,023	-	-	-	444,023
First quarter operations	107,676	-	-	-	107,676
RV park	27,592	-	-	-	27,592
Unassigned	239,795	-	-	-	239,795
Total Fund Balances	1,374,045	197,950	145,729	729,742	2,447,466
Total Liabilities and Fund Balance:	\$ 1,387,293	\$ 197,950	\$ 145,729	\$ 729,742	\$ 2,460,714

See accompanying notes to financial statements.

Riverwood Community Development District
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
September 30, 2012

Total Governmental Fund Balances	\$ 2,447,466
 Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets not being depreciated, land and improvements \$614,960, used in governmental activities are not financial resources and; therefore, are not reported in the funds.	614,960
Capital assets being depreciated, infrastructure, \$25,392,937; buildings and improvements, \$2,371,778; equipment, \$12,500; and accumulated depreciation, \$(20,871,826) used in governmental activities are not financial resources and; therefore, are not reported in the funds.	6,905,389
Bond issuance costs, \$33,015, less accumulated amortization, \$(27,338), used in governmental activities are not financial resources and; therefore, are not reported in the funds.	5,677
Long-term liabilities, including bonds payable, \$(2,773,393), less net deferred amount on refunding, \$10,700, are not due and payable in the current period and; therefore, are not reported in the funds.	(2,762,693)
Accrued interest expense for long-term debt is not a financial use and; therefore, is not reported in the funds.	<u>(49,394)</u>
 Net Assets of Governmental Activities	 <u><u>\$ 7,161,405</u></u>

See accompanying notes to financial statements.

Riverwood Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2012

	General	Debt Service Series 1994	Debt Service Series 2007A	Debt Service Series 2007B	Totals Governmental Funds
Revenues					
Special assessments	\$ 418,663	\$ 113,631	\$ 107,317	\$ 917,326	\$ 1,556,937
Investment earnings	13,092	111	74	486	13,763
Other revenues	31,438	-	-	-	31,438
Total Revenues	<u>463,193</u>	<u>113,742</u>	<u>107,391</u>	<u>917,812</u>	<u>1,602,138</u>
Expenditures					
Current					
General government	68,180	-	-	-	68,180
Physical environment	191,046	-	-	-	191,046
Debt service					
Principal	-	90,000	107,400	847,000	1,044,400
Interest	-	21,506	38,054	105,144	164,704
Other	-	439	414	3,509	4,362
Total Expenditures	<u>259,226</u>	<u>111,945</u>	<u>145,868</u>	<u>955,653</u>	<u>1,472,692</u>
Net change in fund balances	<u>203,967</u>	<u>1,797</u>	<u>(38,477)</u>	<u>(37,841)</u>	<u>129,446</u>
Fund Balances - October 1, 2011	<u>1,170,078</u>	<u>196,153</u>	<u>184,206</u>	<u>767,583</u>	<u>2,318,020</u>
Fund Balances - September 30, 2012	<u>\$ 1,374,045</u>	<u>\$ 197,950</u>	<u>\$ 145,729</u>	<u>\$ 729,742</u>	<u>\$ 2,447,466</u>

See accompanying notes to financial statements.

Riverwood Community Development District
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2012

Net Change in Fund Balances -Total Governmental Funds \$ 129,446

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

Depreciation on capital assets is not recognized in the governmental fund statement but is reported as an expense in the statement of activities. (1,220,436)

Governmental funds report bond issuance costs as expenditures. However, in the Statement of Activities, the cost of those assets are allocated based on an effective interest rate as amortization expense. This is the amount of amortization in the current period. (4,461)

The deferred amount of refunding is a deferred liability and is amortized in the Statement of Activities, but not in the governmental funds. This is the amount of amortization expense in the current year. (11,673)

Repayment 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. 1,044,400

Accrued interest expense is reported in the statement of activities but in governmental funds interest expenditures are reported when due. This is the net amount between current year and prior year accruals. 20,344

Change in Net Assets of Governmental Activites \$ (42,380)

See accompanying notes to financial statements.

Riverwood Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended September 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Assessments	\$ 415,524	\$ 415,524	\$ 418,663	\$ 3,139
Investment earnings	2,078	2,078	13,092	11,014
Other revenues	13,100	13,100	31,438	18,338
Total Revenues	<u>430,702</u>	<u>430,702</u>	<u>463,193</u>	<u>32,491</u>
Expenditures				
Current				
General government	79,352	79,352	68,180	11,172
Physical environment	351,350	351,350	191,046	160,304
Total Expenditures	<u>430,702</u>	<u>430,702</u>	<u>259,226</u>	<u>171,476</u>
Net change in fund balances	-	-	203,967	203,967
Fund Balance - October 1, 2011	<u>-</u>	<u>-</u>	<u>1,170,078</u>	<u>1,170,078</u>
Fund Balance - September 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,374,045</u>	<u>\$ 1,374,045</u>

See accompanying notes to financial statements.

Riverwood Community Development District
STATEMENT OF NET ASSETS -
WATER & SEWER FUND
September 30, 2012

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 605,153
Investments	1,219,505
Accounts receivable	230,992
Due from other governments	85,793
Prepaid items	2,925
Restricted Assets-	
Customer deposits	105,195
Total Current Assets	<u>2,249,563</u>
Non-current Assets	
Restricted Assets-	
Investments	273,083
Interest receivable	10,003
Bond issuance costs, net	2,265
Capital Assets:	
Land	330,000
Construction in progress	1,298,052
Buildings and improvements	1,078,024
Infrastructure	5,496,266
Accumulated depreciation	<u>(1,760,438)</u>
Total Non-current Assets	<u>6,727,255</u>
Total Assets	<u>8,976,818</u>
LIABILITIES	
Current Liabilities	
Accounts payable and accrued expenses	115,335
Due to other governments	6,702
Accrued interest payable	9,686
Bonds payable, current portion	149,759
Payable from restricted assets-	
Customer deposits	105,195
Total Current Liabilities	<u>386,677</u>
Non-current Liabilities	
Bonds payable	<u>316,557</u>
Total Liabilities	<u>703,234</u>
NET ASSETS	
Invested in capital assets, net of related debt	5,977,853
Restricted:	
Sewer system	1,184,316
Debt service	170,440
Water system	157,202
Irrigation system	157,201
Unrestricted	626,572
Total Net Assets	<u>\$ 8,273,584</u>

See accompanying notes to financial statements.

Riverwood Community Development District
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS - WATER & SEWER FUND
For the Year Ended September 30, 2012

Operating revenues	
Charges for Services	
Water and sewer charges	\$ 1,863,023
Meter and connection fees	174,055
Total Operating Revenues	<u>2,037,078</u>
 Operating Expenses	
Cost of sales and services	876,456
General and administrative	629,209
Total Operating Expenses	<u>1,505,665</u>
 Operating Income	<u>531,413</u>
 Non-operating revenues/(expenses)	
Interest earnings	17,815
Grants and contributions	584,891
Amortization expense	(1,760)
Interest expense	(21,511)
Total Non-operating Revenues/(Expenses)	<u>579,435</u>
 Change in Net Assets	1,110,848
 Net Assets - October 1, 2011	<u>7,162,736</u>
 Net Assets - September 30, 2012	<u><u>\$ 8,273,584</u></u>

See accompanying notes to financial statements.

Riverwood Community Development District
STATEMENT OF CASH FLOWS –
WATER & SEWER FUND
For the Year Ended September 30, 2012

	Water & Sewer Fund
Cash Flows From Operating Activities	
Cash received from customers	\$ 1,963,659
Cash paid to suppliers	(1,265,329)
Net Cash Provided By Operating Activities	698,330
Cash Flows From Capital Activities	
Investment in capital assets	(1,479,607)
Interest paid on capital debt	(22,350)
Grants and contributions	584,891
Principal payments on long-term debt	(143,875)
Net Cash Used By Capital And Related Financing Activities	(1,060,941)
Cash Flows From Investing Activities	
Sales of Investments	973,520
Purchases of investments	(1,760,929)
Interest income	9,630
Net Cash Provided By Investing Activities	(777,779)
Net increase in cash and equivalents	(1,140,390)
Cash and equivalents, beginning of year	1,745,543
Cash and equivalents, end of year	\$ 605,153
Reconciliation of Net Operating Income to Net Cash Provided By Operating Activities	
Cash Flows From Operating Activities:	
Operating income	\$ 531,413
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	189,881
Changes in assets and liabilities:	
Increase in accounts receivable	(64,547)
Increase in prepaid expenses	(104)
Decrease in due from other funds	3,095
Increase in due from other governments	(11,967)
Increase in accounts payable	50,559
Total Adjustments	166,917
Net Cash Provided By Operating Activities	\$ 698,330

See accompanying notes to financial statements.

Riverwood Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE A – SUMMARY OF ACCOUNTING POLICIES

The financial statements of Riverwood Community Development District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

1. Reporting Entity

The District was established in 1991, by the Board of County Commissioners of Charlotte County by Ordinance 91-58, pursuant to the provisions of Chapter 190, Florida Statutes, for the purpose of planning, financing, constructing, operating, and maintaining certain community-wide infrastructure. The District is governed by a five member Board of Supervisors, who are elected to a term of four years, by landholders of the District on a one-vote-per acre basis.

As required by GAAP, these financial statements present the Riverwood Community Development District (the primary government), as a stand-alone government. The reporting entity for the District includes all functions of government in which the District's Board exercises oversight responsibility includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, significant ability to influence operations and accountability for fiscal matters.

Based upon the application of the above-mentioned criteria as set forth by the Governmental Accounting Standards Board, the District has identified no component units.

2. Measurement Focus and Basis of Accounting

The basic financial statements of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

a. Government-wide Financial Statements

Government-wide financial statements report all non-fiduciary information about the reporting government as a whole. These statements include separate columns for the governmental and business-type activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

Riverwood Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE A – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

a. Government-wide Financial Statements (Continued)

Governmental activities which normally are supported by special assessments, rents and interest, are reported separately from business-type activities. Program revenues include charges for services and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financial source.

Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

b. Fund Financial Statements

The underlying accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually.

Governmental Funds

The District classifies fund balance according to Governmental Accounting Standards Board Statement 54 - *Fund Balance Reporting and Governmental Fund Type Definitions*. The Statement requires the fund balance for governmental funds to be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Riverwood Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds (Continued)

The District has various policies governing the fund balance classifications.

Nonspendable Fund Balance – This classification consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance – This classification includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Assigned Fund Balance – This classification consists of the Board of Supervisors' intent to be used for specific purposes, but are neither restricted nor committed. The assigned fund balances can also be assigned by the District's management company.

Unassigned Fund Balance – This classification is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Unassigned fund balance is considered to be utilized first when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Fund Balance Spending Hierarchy - For all governmental funds except special revenue funds, when restricted, committed, assigned, and unassigned fund balances are combined in a fund, qualified expenditures are paid first from restricted or committed fund balance, as appropriate, then assigned and finally unassigned fund balances.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Interest associated with the current fiscal period is considered to be an accrual item and so has been recognized as revenue of the current fiscal period.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financial sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Riverwood Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds (Continued)

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability.

Debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Enterprise Funds

In the fund financial statements, the enterprise fund is presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, enterprise funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Enterprise fund type operating statements present increases (revenues) and decreases (expenses) in total net assets. The District applies all GASB pronouncements as well as all FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins, issued on or before November 30, 1989, which do not conflict with, or contradict, GASB pronouncements.

Enterprise fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment earnings, result from non-exchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as other financing sources.

Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than as an expense.

Riverwood Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Basis of Presentation

a. Governmental Major Funds

General Fund

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

Debt Service Fund – Series 1994

The debt service fund is used to account for the accumulation of resources for the annual payment of principal and interest on long-term general obligation debt on the Series 1994 Bonds.

Debt Service Fund – Series 2007A

The debt service fund is used to account for the accumulation of resources for the annual payment of principal and interest on long-term general obligation debt on the Series 2007A Bonds.

Debt Service Fund – Series 2007B

The debt service fund is used to account for the accumulation of resources for the annual payment of principal and interest on long-term general obligation debt on the Series 2007B Bonds.

b. Enterprise Major Fund

Water and Sewer Fund

The water and sewer fund accounts for the operations that provide water and sewer utility services within the District. Receipts are restricted by the Bond Indenture and may only be used for costs associated with operating the water and sewer system and for the debt service on the bonds so that the system revenues meet or exceed system expenses.

c. Non-current Governmental Assets/Liabilities

GASB Statement 34 requires that non-current governmental assets, such as land and buildings, and non-current governmental liabilities, such as general obligation bonds be reported in the governmental activities column in the government-wide statement of net assets.

Riverwood Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assets, Liabilities, and Net Assets or Equity

a. Cash and Investments

Florida Statutes require state and local governmental units to deposit monies with financial institutions classified as "Qualified Public Depositories," a multiple financial institution pool whereby groups of securities pledged by the various financial institutions provide common collateral from their deposits of public funds. This pool is provided as additional insurance to the federal depository insurance and allows for additional assessments against the member institutions, providing full insurance for public deposits.

The District is authorized to invest in those financial instruments as established by Section 218.415, Florida Statutes. The authorized investments consist of:

1. Direct obligations of the United States Treasury;
2. The Local Government Surplus Funds Trust or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperative Act of 1969;
3. Interest-bearing time deposits or savings accounts in authorized qualified public depositories;
4. Securities and Exchange Commission, registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

For purposes of the statement of cash flows, cash equivalents include time deposits and certificates of deposit with original maturities of three months or less and held in a qualified public depository as defined by Florida Statute 280.02.

b. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported as "internal balances".

c. Restricted Assets

Certain net assets of the District are classified as restricted assets on the Statement of Net Assets because their use is limited either by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors. In a fund with both restricted and unrestricted assets, qualified expenses are considered to be paid first from restricted net assets and then from unrestricted net assets.

Riverwood Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assets, Liabilities, and Net Assets or Equity (Continued)

d. Capital Assets

Capital assets, which include land, buildings and equipment, are reported in the applicable governmental or business-type activities column.

The District defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. The valuation basis for all assets is historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation of capital assets is computed and recorded by utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings and Improvements	20-40 years
Infrastructure	15-40 years
Equipment	7 years

e. Unamortized Bond Costs

Bond issuance costs and legal fees associated with the issuance of bonds are amortized over the life of the bonds using the effective interest rate method of accounting.

f. Deferred amount on refunding

Deferred amount on refunding is the excess of initial monies expended over the outstanding principal of the bonds refunded. The deferred amount on refunding is amortized by the effective interest method over the life of the bonds.

g. Budgets

Budgets are prepared and adopted after public hearings for the governmental funds, pursuant to Section 200.065 of the Florida Statutes. The District utilizes the same basis of accounting for budgets as it does for revenues and expenditures in its various funds. The legal level of budgetary control is at the fund level. All budgeted appropriations lapse at year end. Formal budgets are adopted for the general and debt service funds. As a result, deficits in the budget columns of the accompanying financial statements may occur.

Riverwood Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

“Total fund balances” of the District’s governmental funds (\$2,447,466) differs from “net assets” of governmental activities (\$7,161,405) reported in the Statement of Net Assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheet. The effect of the differences is illustrated as follows.

Capital related items

When capital assets (property, plant and equipment that are to be used in governmental activities) are purchased or constructed, the cost of those assets is reported as expenditures in governmental funds. However, the statement of net assets included those capital assets among the assets of the District as a whole.

Land	\$	614,960
Buildings and improvements		2,371,778
Equipment		12,500
Infrastructure		25,392,937
Accumulated depreciation		<u>(20,871,826)</u>
Total		<u>\$ 7,520,349</u>

Bond issuance costs

When intangible assets (legal fees, trustee fees, and other bond related costs to be used in governmental activities) are expended, the cost of those assets is reported as expenditures in governmental funds. However, the Statement of Net Assets includes those intangible assets of the District as a whole.

Bond issuance costs	\$	33,015
Accumulated amortization		<u>(27,338)</u>
Total		<u>\$ 5,677</u>

Riverwood Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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

1. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets (Continued)

Long-term debt transactions

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Assets. Balances at September 30, 2012 were:

Bonds payable	\$ (2,773,393)
Less: Deferred amount on refunding, net	<u>10,700</u>
Total	<u><u>\$ (2,762,693)</u></u>

Accrued interest

Accrued liabilities in the Statement of Net Assets differ from the amount reported in governmental funds due to accrued interest on bonds.

Accrued interest	<u><u>\$ (49,394)</u></u>
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2. Explanation of Differences Between the Governmental Fund Operating Statements and the Statement of Activities

The "net change in fund balances" for government funds, \$129,446, differs from the "change in net assets" for governmental activities, \$(42,380), reported in the Statement of Activities. The differences arise primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated as follows.

Capital related items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balances decrease by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.

Depreciation expense	<u><u>\$ (1,220,436)</u></u>
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Riverwood Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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

2. Explanation of Differences Between the Governmental Fund Operating Statements and the Statement of Activities (Continued)

Bond issuance costs

When bond issuance costs used in governmental activities are expended, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and reported as amortization costs. As a result, fund balances decrease by the amount of financial resources expended; whereas, net assets decrease by the amount of amortization expense charged for the year.

Amortization expense	\$ <u>(4,461)</u>
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Long-term debt transactions

Repayments of bond principal are reported as expenditures in the governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used.

Bond principal payments	\$ 1,044,400
Amortization expense of deferred amount on refunding	<u>(11,673)</u>
Total	<u>\$ 1,032,727</u>

Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.

Net change in accrued interest payable	\$ <u>20,344</u>
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NOTE C - CASH AND INVESTMENTS

All deposits are held in qualified public depositories and are included on the accompanying balance sheet as cash and investments.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. The District does, however, follow the provisions of Chapter 280, Florida Statutes regarding deposits and investments. As of September 30, 2012, the District's bank balance was \$1,652,549 and the carrying value was \$1,404,678. Exposure to custodial credit risk was as follows. The District maintains all deposits in a qualified public depository in accordance with the provisions of Chapter 280, Florida Statutes, which means that all deposits are fully insured by Federal Depositors Insurance or collateralized under Chapter 280, Florida Statutes.

Riverwood Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE C - CASH AND INVESTMENTS (CONTINUED)

As of September 30, 2012, the District had the following investments and maturities:

Investment	Maturities	Fair Value
Certificates of Deposit	2/14/13-2/14/15	\$ 1,859,234
Commercial Paper	N/A	1,324,402
First American Government Obligation		
Fund Class Y	N/A	3,828
Local Government Surplus		
Fund A	N/A	7,486
Fund B	N/A	29,497
Total		<u>\$ 3,224,447</u>

Investments

The District's investment policy allows management to invest funds in investments permitted under Section 218.415, Florida Statutes. Among other investments, the policy allows the District to invest in the State Board of Administration Local Government Surplus Trust Funds.

Cash placed with the State Board of Administration represents the District's participation in the Local Government Surplus Trust Funds Investment Pool and is reported at fair value. As a pool participant the District invests in pools of investments in which shares are owned in the pool rather than the underlying investments. These funds are divided into the LGIP fund and Fund B.

The District had investments reported at fair value of \$29,497 at September 30, 2012 in Fund B. Fund B is not rated by any nationally recognized rating agency. Fund B consists of assets transferred from the LGIP in December 2007 that represented securities that had defaulted or are in default, or have extended payout times or are subject to potentially elevated credit risk. These funds are not subject to withdrawal, but will be paid as they mature. Fair market value is determined and reported as disclosed by the State Board of Administration. The calculation of the net change in the fair value of investments is independent of the calculation of realized gains and losses.

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Riverwood Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE C - CASH AND INVESTMENTS (CONTINUED)

Credit Risk

The District's investments in treasury funds, commercial paper, and government loans are limited by state statutory requirements and bond compliance. The District has no investment policy that would further limit its investment choices. The Local Government Surplus Funds Trust is an authorized investment under Section 218.415, Florida Statutes. The District's investments in the state investment pool and government loans are limited by state statutory requirements and bond compliance. The District has monies invested with the Local Government Surplus Funds Trust Fund (Fund), at September 30, 2012. This fund met the requirements of a "2a-7 like pool" as defined in Government Accounting Standards Board, Statement 31.

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one fund. The investments in Certificates of Deposit represent 58% of the District's investments. The investments in Commercial Paper represent 41% of the District's total investments. The investments in Local Government Surplus Funds Trust represent 1% of the District's investments. The remaining investments in First American Government Obligation Funds Class Y represent less than 1% of the District's total investments.

The types of deposits and investments and their level of risk exposure as of September 30, 2012 were typical. The First American Government Obligations Fund Class Y investments were rated Aaa per Moody's and AAAM per Standard & Poor's. The Commercial Paper investments were rated P-1 per Moody's and A-1+ per Standard & Poor's. The Certificates of Deposit are not rated by any nationally recognized rating agency.

NOTE D – SPECIAL ASSESSMENT REVENUES

Assessment revenues recognized for the 2011-2012 fiscal year were levied in October 2011. All taxes are due and payable on November 1 or as soon as the assessment roll is certified and delivered to the Tax Collector. Per Section 197.162, Florida Statutes, discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. Taxes paid in March are without discount.

All unpaid taxes become delinquent as of April 1. Virtually all unpaid taxes are collected via the sale of tax certificates on or prior to June 1; therefore, there were no material taxes receivable at fiscal year end.

Riverwood Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE E – CAPITAL ASSETS

Capital Asset activity for the year ended September 30, 2012 was as follows:

	Balance October 1, 2011	Additions	Deletions	Balance September 30, 2012
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land and land improvements	\$ 614,960	\$ -	\$ -	\$ 614,960
Total Capital Assets, Not Depreciated	<u>614,960</u>	<u>-</u>	<u>-</u>	<u>614,960</u>
Capital assets, being depreciated:				
Building - Amenity Center	2,371,778	-	-	2,371,778
Equipment	12,500	-	-	12,500
Infrastructure - water control	11,042,926	-	-	11,042,926
Infrastructure - roadways and other improvements	14,350,011	-	-	14,350,011
Total Capital Assets, Being Depreciated	<u>27,777,215</u>	<u>-</u>	<u>-</u>	<u>27,777,215</u>
Less accumulated depreciation for:				
Building - Amenity Center	(413,905)	(59,632)	-	(473,537)
Equipment	(2,828)	(1,786)	-	(4,614)
Infrastructure - water control	(7,553,361)	(441,717)	-	(7,995,078)
Infrastructure - roadways and other improvements	(11,681,296)	(717,301)	-	(12,398,597)
Total Accumulated Depreciation	<u>(19,651,390)</u>	<u>(1,220,436)</u>	<u>-</u>	<u>(20,871,826)</u>
Total Capital Assets Depreciated, Net	8,125,825	(1,220,436)	-	6,905,389
Governmental Activities Capital Assets	<u>\$ 8,740,785</u>	<u>\$ (1,220,436)</u>	<u>\$ -</u>	<u>\$ 7,520,349</u>

Depreciation expense of \$1,220,436 was charged to physical environment.

Riverwood Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE E – CAPITAL ASSETS (CONTINUED)

Capital Asset activity for the year ended September 30, 2012 was as follows:

	Balance October 1, 2011	Additions	Deletions	Balance September 30, 2012
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 330,000	\$ -	\$ -	\$ 330,000
Construction in progress	155,553	1,142,499	-	1,298,052
Total Capital Assets, Not Depreciated	<u>485,553</u>	<u>1,142,499</u>	<u>-</u>	<u>1,628,052</u>
Capital assets, being depreciated:				
Buildings	1,078,024	-	-	1,078,024
Infrastructure - utilities	5,159,158	337,108	-	5,496,266
Total Capital Assets, Being Depreciated	<u>6,237,182</u>	<u>337,108</u>	<u>-</u>	<u>6,574,290</u>
Less accumulated depreciation for:				
Buildings	(473,298)	(26,950)	-	(500,248)
Infrastructure	(1,097,259)	(162,931)	-	(1,260,190)
Total Accumulated Depreciation	<u>(1,570,557)</u>	<u>(189,881)</u>	<u>-</u>	<u>(1,760,438)</u>
Total Capital Assets Depreciated, Net	4,666,625	147,227	-	4,813,852
Business-type Activities Capital Assets	<u>\$ 5,152,178</u>	<u>\$ 1,289,726</u>	<u>\$ -</u>	<u>\$ 6,441,904</u>

Depreciation expense of \$189,881 was charged to cost of sales and services.

NOTE F – LONG-TERM DEBT

The following is a summary of activity in the long-term debt of the District for the year ended September 30, 2012:

Governmental Activities

Long-term debt at October 1, 2011	\$ 3,817,793
Principal payments	<u>(1,044,400)</u>
Long-term debt at September 30, 2012	2,773,393
Less: Deferred amount on refunding, net	<u>(10,700)</u>
Bonds payable, net	<u>\$ 2,762,693</u>

Riverwood Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE F – LONG-TERM DEBT (CONTINUED)

Long-term debt is comprised of the following:

Revenue Bonds

\$3,165,000 Series 1994 Bonds, interest at 7.75%, maturing thru May 1, 2014, payable on May 1 and November 1; collateralized by the pledged revenues of special assessments levied against the benefited property owners.	\$ 190,000
\$1,221,105 Series 2007A Bonds, interest at 3.920%, maturing thru November 1, 2022, payable on May 1 and November 1; collateralized by the pledged revenues of special assessments levied against the benefited property owners.	883,393
\$5,610,000 Series 2007B Bonds, interest at 4.070%, maturing thru May 1, 2014, payable on May 1 and November 1; collateralized by the pledged revenues of special assessments levied against the benefited property owners.	<u>1,700,000</u>
Total long-term debt	<u><u>\$ 2,773,393</u></u>

The annual requirements to amortize the principal and interest of bonded debt outstanding as of September 30, 2012 are as follows:

Year Ending September 30,	Principal	Interest	Total
2013	\$ 1,029,310	\$ 117,873	\$ 1,147,183
2014	1,002,093	72,745	1,074,838
2015	74,986	28,359	103,345
2016	77,928	25,390	103,318
2017	81,124	22,305	103,429
2018-2022	457,126	60,697	517,823
2023	<u>50,826</u>	<u>996</u>	<u>51,822</u>
Totals	<u><u>\$ 2,773,393</u></u>	<u><u>\$ 328,365</u></u>	<u><u>\$ 3,101,758</u></u>

**Riverwood Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2012**

NOTE F – LONG-TERM DEBT (CONTINUED)

Business-type Activities

Long-term debt at October 1, 2011	\$	612,055
Principal payments		(143,875)
Long-term debt at September 30, 2012		468,180
Less: Deferred amount on refunding		(1,864)
Bonds payable, net	\$	466,316

Long-term debt is comprised of the following:

\$1,020,000 Series 2007 Sewer System Revenue Refunding Bonds, interest at 4.070%, maturing thru October 1, 2014, payable on April 1 and October 1; collateralized by a senior lien on the proceeds of the Bonds, Net Revenues and all moneys, including investments thereof, held in certain Funds or Accounts created by the Indenture. \$ 468,180

The annual requirements to amortize the principal and interest of bonded debt outstanding as of September 30, 2012 are as follows:

Year Ending September 30,	Principal	Interest	Total
2013	149,759	\$ 13,140	\$ 162,899
2014	155,992	6,703	162,695
2015	162,429	3,361	165,790
Totals	\$ 468,180	\$ 23,204	\$ 491,384

Summary of Significant Bonds Resolution Terms and Covenants

Special Assessment Revenue Bonds – Series 1994A

In 1994, the District issued \$3,165,000 Series 1994A Special Assessment Revenue Bonds with a fixed interest rate of 7.75%. These bonds were issued to finance the second phase of the acquisition, construction and installation of roads, water management and control facilities, recreational facilities and certain other related projects and improvements located within and without the boundaries of the District. Interest is to be paid semiannually on each May 1 and November 1. Principal is to be paid serially commencing May 1, 1996 through November 1, 2014.

Riverwood Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE F – LONG-TERM DEBT (CONTINUED)

Summary of Significant Bonds Resolution Terms and Covenants (Continued)

Special Assessment Revenue Bonds – Series 1994A (Continued)

The Bonds may, at the option of the District be called for redemption as a whole at any time or in part on any interest payment date on or after May 1, 1996 at a redemption price set in the Bond Indenture.

The Bonds are subject to mandatory redemption prior to maturity in the manner determined by the trustee and the District Manager if certain events occurred as outlined in the Bond Indenture.

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. The requirement has been met for fiscal year ended September 30, 2012.

The Bond Indenture has certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agreed to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District is in compliance with the requirements of the Bond Indenture.

Special Assessment Revenue Refunding Bonds – Series 2007A

In 2007, the District issued \$1,221,105 Series 2007A Special Assessment Revenue Refunding Bonds with a fixed interest rate of 3.920%. These bonds were issued to refund the Series 2003 Bonds. Interest is to be paid semiannually on each May 1 and November 1. Principal is to be paid serially commencing May 1, 2008 through November 1, 2022.

The Bonds may, at the option of the District be called for redemption as a whole at any time or in part on any interest payment date on or after May 1, 2009 at a redemption price set in the Bond Indenture.

The Bonds are subject to mandatory redemption prior to maturity in the manner determined by the trustee and the District Manager if certain events occurred as outlined in the Bond Indenture.

The Bond Indenture has certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agreed to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District is in compliance with the requirements of the Bond Indenture.

Riverwood Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE F – LONG-TERM DEBT (CONTINUED)

Summary of Significant Bonds Resolution Terms and Covenants (Continued)

Special Assessment Revenue Refunding Bonds – Series 2007B

In 2007, the District issued \$5,610,000 Series 2007B Special Assessment Revenue Refunding Bonds with a fixed interest rate of 4.070%. These bonds were issued to refund the Series 1992A bonds. Interest is to be paid semiannually on each May 1 and November 1. Principal is to be paid serially commencing May 1, 2008 through 2014.

The Bonds may, at the option of the District be called for redemption as a whole at any time or in part on any interest payment date on or after May 1, 2009 at a redemption price set in the Bond Indenture.

The Bonds are subject to mandatory redemption prior to maturity in the manner determined by the trustee and the District Manager if certain events occurred as outlined in the Bond Indenture.

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. The requirement has been met for fiscal year ended September 30, 2012.

The Bond Indenture has certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agreed to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District is in compliance with the requirements of the Bond Indenture.

Sewer System Revenue Refunding Bonds – Series 2007

In 2007, the District issued \$1,020,000 Series 2007 Sewer System Revenue Refunding Bonds with a fixed interest rate of 4.07%. These bonds were issued to refund the Series 1994 Sewer System Revenue Bonds. Interest is to be paid semiannually on each April 1 and October 1. Principal is to be paid serially through October 1, 2014.

The Bonds are subject to mandatory redemption prior to maturity in the manner determined by the trustee and the District Manager if certain events occurred as outlined in the Bond Indenture.

The Bond Indenture has certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agreed to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District is in compliance with the requirements of the Bond Indenture.

**Riverwood Community Development District
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012**

NOTE F – LONG-TERM DEBT (CONTINUED)

Summary of Significant Bonds Resolution Terms and Covenants (Continued)

Special Assessment Revenue Refunding Bonds, Series 2007B and Special Assessment Revenue Bonds, Series 1994A

Depository Funds - The bond resolutions established certain funds and determines the order in which revenues are to be deposited into these funds. A description of the significant funds, including their purposes, is as follows:

1. Reserve Fund – The 2007B Reserve Account is funded from the proceeds remaining in the Series 1992 Bonds reserve account. The 1994A Reserve Account is funded from the proceeds of the series 1994A bonds in an amount of 10% of deemed outstanding bonds at year end. Monies held in the reserve accounts will be used only for the purposes established in the Trust Indenture. The Series 2007A bond does not have a reserve fund established as explained by the trust indenture. The Series 2007 Water and Sewer Bonds do not have a reserve fund established as explained by the trust indenture.

	Reserve Balance	Reserve Requirement
Series 1994A Special Assessment Revenue Bond	\$126,500	\$ 126,500
Series 2007B Special Assessment Revenue Refunding Bond	357,582	357,582

NOTE G – RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. These risks are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for each of the past three fiscal years.

NOTE H – SUBSEQUENT EVENTS

On October 12, 2012, certain reclaimed water facilities, valued at \$627,935, owned by the developer were conveyed to the District.

On November 1, 2012, the Series 1994A Special Assessment Revenue Bonds were fully redeemed.



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**INDEPENDENT AUDITOR'S 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
Riverwood Community Development District
Charlotte County, Florida

We have audited the financial statements of Riverwood Community Development District as of and for the year ended September 30, 2012, and have issued our report thereon dated March 28, 2013. 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

Management of Riverwood Community Development District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Riverwood Community Development 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 Riverwood Community Development District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Riverwood Community Development District's internal control over financial reporting.

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

Our consideration of 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.



To the Board of Supervisors
Riverwood Community Development District

Compliance and Other Matters

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

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

*Berger, Toombs, Elam,
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

March 28, 2013



**Berger, Toombs, Elam,
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MANAGEMENT LETTER

To the Board of Supervisors
Riverwood Community Development District
Charlotte County, Florida

We have audited the financial statements of the Riverwood Community Development District, Florida as of and for the year ended September 30, 2012, and have issued our report thereon dated March 28, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Florida Auditor General. We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report which is dated March 28, 2013 should be considered in conjunction with this Management Letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General which governs the conduct of local entity audits performed in the State of Florida.

The Rules of the Auditor General (Section 10.554(1)(i)1.) require that we address in the Management Letter, if not already addressed in the auditor's report on compliance and internal controls, whether or not recommendations made in the preceding annual financial report have been followed. There were no recommendations made in the preceding audit report.

As required by the Rules of the Auditor General (Section 10.554(1)(i)2.) the scope of our audit included 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 Riverwood Community Development District complied with Section 218.415, Florida Statutes.

The Rules of the Auditor General (Section 10.554(1)(i)3, 4 and 5.) require that we address in the Management Letter, if not already addressed in the auditor's report on compliance and internal controls: improvements in financial management and violations of contracts or grant agreements, fraud, illegal acts or abuse and deficiencies in internal control that are not significant deficiencies, other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of the auditor. Our audit did not discover any of the above items that require to be disclosed.



To the Board of Supervisors
Riverwood Community Development District

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

Riverwood Community Development District has not met one or more of the conditions described in Section 218.503(1), Florida Statutes.

As required by the Rules of the Auditor General (Section 10.554(1)(i)7.b.), we determined that the annual financial report for the District for the fiscal year ended September 30, 2012, filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with our annual financial audit report for the fiscal year ended September 30, 2012.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

*Berger, Toombs, Elam,
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

March 28, 2013