

**Riverwood Community Development District**

**ANNUAL FINANCIAL REPORT**

**September 30, 2013**

**Riverwood Community Development District**

**ANNUAL FINANCIAL REPORT**

**Fiscal Year Ended September 30, 2013**

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## REPORT OF INDEPENDENT AUDITORS

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

### Report on the Financial Statements

We have audited the accompanying basic financial statements of Riverwood Community Development District as of and for the year ended September 30, 2013, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Fort Pierce / Stuart

To the Board of Supervisors  
Riverwood Community Development District

### Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Riverwood Community Development District as of September 30, 2013, and the respective changes in financial position 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.

### Emphasis of Matter

As discussed in Note I to the financial statements, bond issuance costs were expensed as of October 1, 2012 and net position was restated in accordance with Riverwood Community Development District's implementation of Governmental Accounting Standards Board Statement No. 65. Our opinion is not modified with respect to this matter.

### Other Matters

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

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.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 31, 2014 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.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Riverwood Community Development District's internal control over financial reporting and compliance.

*Berger, Toombs, Elam,  
Gaines & Frank*

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

March 31, 2014

**Riverwood Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2013**

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 position** and the **statement of activities**. These statements use accounting methods similar to those used by private-sector companies. Emphasis is placed on the net position of governmental activities and business-type activities and the change in net position. 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 position** presents information on all assets, liabilities and deferred outflows of the District, with the difference between assets and liabilities reported as net position. Net position are reported in three categories; 1) invested in capital assets, net of related debt, 2) restricted and 3) unrestricted. Assets, liabilities, and net position are reported for all Governmental activities separate from the assets, liabilities, and net position of business-type activities.

**The statement of activities** presents information on all revenues and expenses of the District and the change in net position. 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, 2013**

**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 position**, a **statement of revenues, expenses, and changes in net position**; 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, 2013.

- ◆ The District's total assets exceeded total liabilities by \$16,548,471 (net position). Invested in capital assets net of related debt for Governmental Activities were \$5,016,616. Invested in capital assets net of related debt for Business-type activity were \$7,904,648. Unrestricted net position for Governmental Activities were \$1,580,918 and for Business-type activities was \$228,734. Restricted net position for Governmental Activities were \$470,589. Restricted net position for Business-type activities were \$1,346,357.
- ◆ Governmental activities revenues totaled \$1,479,388 while governmental activities expenses totaled \$1,566,993. Business-type activities revenues totaled \$2,964,615 while business-type expenses totaled \$1,756,195.

**Riverwood Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2013**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Financial Analysis of the District**

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

	<b>Net Position</b>					
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Current assets	\$ 1,612,779	\$ 1,405,568	\$ 1,500,625	\$ 2,249,563	\$ 3,113,404	\$ 3,655,131
Restricted assets	839,684	1,055,146	280,544	283,086	1,120,228	1,338,232
Capital assets	6,311,363	7,520,349	8,222,430	6,441,904	14,533,793	13,962,253
Other assets	-	-	-	-	-	-
<b>Total Assets</b>	<b>8,763,826</b>	<b>9,981,063</b>	<b>10,003,599</b>	<b>8,974,553</b>	<b>18,767,425</b>	<b>18,955,616</b>
Deferred Outflow of Resources	3,560 *	10,700 *	639 *	1,864 *	4,199 *	12,564
<b>Total Assets and Deferred Outflow of Resources</b>	<b>8,767,386</b>	<b>9,991,763</b>	<b>10,004,238</b>	<b>8,976,417</b>	<b>18,771,624</b>	<b>18,968,180</b>
Current liabilities	957,274	1,091,952	362,070	386,677	1,319,344	1,478,629
Non-current liabilities	741,989	1,744,083	162,429	318,421	904,418	2,062,504
<b>Total Liabilities</b>	<b>1,699,263</b>	<b>2,836,035</b>	<b>524,499</b>	<b>705,098</b>	<b>2,223,762</b>	<b>3,541,133</b>
<b>Net Position</b>						
Invested in capital assets	5,016,616	5,241,738 *	7,904,648	5,975,588 *	12,921,264	11,217,326
Net position - restricted	470,589	539,945	1,346,357	1,669,159	1,816,946	2,209,104
Net position - unrestricted	1,580,918	1,374,045	228,734	626,572	1,809,652	2,000,617
<b>Total Net Position</b>	<b>\$ 7,068,123 *</b>	<b>\$ 7,155,728 *</b>	<b>\$ 9,479,739 *</b>	<b>\$ 8,271,319 *</b>	<b>\$ 16,547,862 *</b>	<b>\$ 15,427,047</b>

\*Restated

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

Total assets for business-type activities increased primarily due to capital asset additions.

**Riverwood Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2013**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Financial Analysis of the District (Continued)**

Total liabilities for both governmental and business-type activities 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.

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

**Change In Net Position**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Program Revenues						
Charges for service	\$ 1,447,496	\$ 1,556,937	\$ 1,989,314	\$ 2,037,078	\$ 3,436,810	\$ 3,594,015
General Revenues						
Investment earnings	10,799	13,763	13,459	17,815	24,258	31,578
Other revenues	21,093	31,438	961,842	584,891	982,935	616,329
Total Revenues	<u>1,479,388</u>	<u>1,602,138</u>	<u>2,964,615</u>	<u>2,639,784</u>	<u>4,444,003</u>	<u>4,241,922</u>
Expenses						
General government	68,440	68,180	-	-	68,440	68,180
Physical environment	1,394,139	1,411,482	-	-	1,394,139	1,411,482
Water and sewer	-	-	1,741,830	1,505,665	1,741,830	1,505,665
Interest on long-term debt	104,414	160,395 *	14,365	21,133 *	118,779	181,528
Total Expenses	<u>1,566,993</u>	<u>1,640,057</u>	<u>1,756,195</u>	<u>1,526,798</u>	<u>3,323,188</u>	<u>3,166,855</u>
Change in Net Position	(87,605)	(37,919)	1,208,420	1,112,986	1,120,815	1,075,067
Net Position - Beginning of Year	<u>7,155,728</u>	<u>7,193,647 *</u>	<u>8,271,319</u>	<u>7,158,333 *</u>	<u>15,427,047</u>	<u>14,351,980</u>
Net Position - End of Year	<u>\$ 7,068,123</u>	<u>\$ 7,155,728 *</u>	<u>\$ 9,479,739</u>	<u>\$ 8,271,319 *</u>	<u>\$ 16,547,862</u>	<u>\$ 15,427,047</u>

\*Restated

**Riverwood Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2013**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Financial Analysis of the District (Continued)**

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 decreased primarily due to compliance fees charged in the prior year.

Business-type activities other revenues increased primarily due to conveyed assets received by the district in the current year.

Business-type activities water and sewer expenses increased primarily due to an increase in repairs and maintenance required in the current year.

Governmental activities total expenses decreased primarily due to lower outstanding principal amounts resulting in lower interest.

**Capital Assets Activity**

The following schedule provides a summary of the District's capital assets activity as of September 30, 2013.

Description	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land and improvements	\$ 614,960	\$ 614,960	\$ 330,000	\$ 330,000	\$ 944,960	\$ 944,960
Building and improvements	2,377,084	2,371,778	1,078,024	1,078,024	3,455,108	3,449,802
Equipment	19,000	12,500	-	-	19,000	12,500
Infrastructure	25,392,937	25,392,937	8,805,676	5,496,266	34,198,613	30,889,203
Accumulated depreciation	(22,092,618)	(20,871,826)	(1,995,353)	(1,760,439)	(24,087,971)	(22,632,265)
Construction in progress	-	-	4,082	1,298,053	4,082	1,298,053
<b>Total Capital Assets (Net)</b>	<b>\$ 6,311,363</b>	<b>\$ 7,520,349</b>	<b>\$ 8,222,429</b>	<b>\$ 6,441,904</b>	<b>\$ 14,533,792</b>	<b>\$ 13,962,253</b>

During the year, depreciation expense for governmental activities was \$1,220,792. Governmental activities added \$5,306 of buildings and \$6,500 of equipment. Business-type activities added \$3,309,410 of infrastructure, completed \$1,298,053 of construction in progress, added \$4,082 of construction in progress and depreciation expense was \$234,914.

**Riverwood Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2013**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**General Fund Budgetary Highlights**

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

There were no amendments to the September 30, 2013 budget.

**Debt Management**

Governmental Activities debt includes the following:

- ◆ 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, 2013, \$814,082 of Series 2007A and \$830,000 of Series 2007B was still outstanding.

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, 2013, \$318,421 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 2014.

**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 POSITION**  
**September 30, 2013**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and equivalents	\$ 674,810	\$ -	\$ 674,810
Investments, at fair value	925,766	1,190,746	2,116,512
Accounts receivable	-	167,464	167,464
Prepaid items	4,200	3,218	7,418
Accrued interest receivable	6,748	-	6,748
Due from other governments	22,399	-	22,399
Internal balances	(21,144)	21,144	-
Restricted assets -			
Customer deposits	-	118,053	118,053
<b>Total Current Assets</b>	<u>1,612,779</u>	<u>1,500,625</u>	<u>3,113,404</u>
<b>Non-current Assets</b>			
<b>Restricted assets</b>			
Investments, at fair value	839,684	266,475	1,106,159
Accrued interest receivable	-	14,069	14,069
<b>Capital assets:</b>			
<b>Assets not being depreciated</b>			
Land and improvements	614,960	330,000	944,960
Construction in progress	-	4,082	4,082
<b>Assets being depreciated</b>			
Buildings and improvements	2,377,084	1,078,024	3,455,108
Infrastructure	25,392,937	8,805,676	34,198,613
Equipment	19,000	-	19,000
Less: accumulated depreciation	(22,092,618)	(1,995,352)	(24,087,970)
<b>Total Non-current Assets</b>	<u>7,151,047</u>	<u>8,502,974</u>	<u>15,654,021</u>
<b>Total Assets</b>	<u>8,763,826</u>	<u>10,003,599</u>	<u>18,767,425</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred amount on refunding	3,560	639	4,199
<b>Total Assets and deferred outflow of resources</b>	<u>8,767,386</u>	<u>10,004,238</u>	<u>18,771,624</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	27,200	79,203	106,403
Due to other governments	-	2,234	2,234
Accrued interest payable	27,981	6,588	34,569
Bonds payable, current portion	902,093	155,992	1,058,085
Payable from restricted assets:			
Customer deposits	-	118,053	118,053
<b>Total Current Liabilities</b>	<u>957,274</u>	<u>362,070</u>	<u>1,319,344</u>
<b>Non-current Liabilities</b>			
Bonds payable	741,989	162,429	904,418
<b>Total Liabilities</b>	<u>1,699,263</u>	<u>524,499</u>	<u>2,223,762</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	5,016,616	7,904,648	12,921,264
Restricted for debt service	470,589	163,780	634,369
Restricted for renewal and replacement	-	1,182,577	1,182,577
Unrestricted	1,580,918	228,734	1,809,652
<b>Total Net Position</b>	<u>\$ 7,068,123</u>	<u>\$ 9,479,739</u>	<u>\$ 16,547,862</u>

See accompanying notes to financial statements.

**Riverwood Community Development District**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	
<b>Governmental Activities</b>							
General government	\$ (68,440)	\$ 19,557	\$ -	\$ -	\$ (48,883)	\$ -	\$ (48,883)
Physical environment	(1,394,139)	398,379	-	-	(995,760)	-	(995,760)
Interest on long-term debt	(104,414)	1,029,560	-	-	925,146	-	925,146
Total Governmental Activities	<u>(1,566,993)</u>	<u>1,447,496</u>	<u>-</u>	<u>-</u>	<u>(119,497)</u>	<u>-</u>	<u>(119,497)</u>
<b>Business-type Activities</b>							
Water and sewer utilities	(1,741,830)	1,989,314	333,907	627,935	-	1,209,326	1,209,326
Interest on long-term debt	(14,365)	-	-	-	-	(14,365)	(14,365)
Total Business-type Activities	<u>(1,756,195)</u>	<u>1,989,314</u>	<u>333,907</u>	<u>627,935</u>	<u>-</u>	<u>1,194,961</u>	<u>1,194,961</u>
Total Primary Government	<u>\$ (3,323,188)</u>	<u>\$ 3,436,810</u>	<u>\$ 333,907</u>	<u>\$ 627,935</u>	<u>(119,497)</u>	<u>1,194,961</u>	<u>1,075,464</u>
<b>General Revenues</b>							
Investment earnings					10,799	13,459	24,258
Other revenues					21,093	-	21,093
Total General Revenues					<u>31,892</u>	<u>13,459</u>	<u>45,351</u>
Change in Net Position					(87,605)	1,208,420	1,120,815
Net Position - October 1, 2012					<u>7,155,728</u>	<u>8,271,319</u>	<u>15,427,047</u>
Net Position - September 30, 2013					<u>\$ 7,068,123</u>	<u>\$ 9,479,739</u>	<u>\$ 16,547,862</u>

See accompanying notes to financial statements.

**Riverwood Community Development District  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2013**

	General	Debt Service Series 1994	Debt Service Series 2007A	Debt Service Series 2007B	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalent	\$ 674,810	\$ -	\$ -	\$ -	\$ 674,810
Investments, at fair value	925,766	-	-	-	925,766
Accrued interest receivable	6,748	-	-	-	6,748
Due from other governments	6,540	-	1,672	14,187	22,399
Prepaid items	4,200	-	-	-	4,200
Restricted assets					
Investments, at fair value	-	-	154,387	685,297	839,684
Total Assets	<u>\$1,618,064</u>	<u>\$ -</u>	<u>\$ 156,059</u>	<u>\$ 699,484</u>	<u>\$ 2,473,607</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued expense:	\$ 27,200	\$ -	\$ -	\$ -	\$ 27,200
Due to other funds	21,144	-	-	-	21,144
Total Liabilities	<u>\$ 48,344</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,344</u>
Fund Balances:					
Nonspendable:					
Prepaid expenses	4,200	-	-	-	4,200
Investments	8,424	-	-	-	8,424
Restricted for debt service	-	-	156,059	699,484	855,543
Assigned:					
Roadways	630,756	-	-	-	630,756
Activity center	488,872	-	-	-	488,872
First quarter operations	142,515	-	-	-	142,515
RV park	21,309	-	-	-	21,309
Unassigned	273,644	-	-	-	273,644
Total Fund Balances	<u>1,569,720</u>	<u>-</u>	<u>156,059</u>	<u>699,484</u>	<u>2,425,263</u>
Total Liabilities and Fund Balances	<u>\$1,618,064</u>	<u>\$ -</u>	<u>\$ 156,059</u>	<u>\$ 699,484</u>	<u>\$ 2,473,607</u>

See accompanying notes to financial statements.

**Riverwood Community Development District**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**September 30, 2013**

<b>Total Governmental Fund Balances</b>	<b>\$ 2,425,263</b>
 <b>Amounts reported for governmental activities in the Statement of Net Position are different because:</b>	
Capital assets not being depreciated, land and improvements 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, \$2,377,084; equipment, \$19,000; net of accumulated depreciation, \$(22,092,618) used in governmental activities are not financial resources and; therefore, are not reported in the funds.	5,696,403
Long-term liabilities, including bonds payable, are not due and payable in the current period and; therefore, are not reported in the funds.	(1,644,082)
Deferred outflow of resources are not financial resources and therefore, are not reported in the funds.	3,560
Accrued interest expense for long-term debt is not a financial use and; therefore, is not reported in the funds.	<u>(27,981)</u>
 <b>Net Position of Governmental Activities</b>	 <b><u><u>\$ 7,068,123</u></u></b>

*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, 2013**

	General	Debt Service Series 1994	Debt Service Series 2007A	Debt Service Series 2007B	Totals Governmental Funds
<b>Revenues</b>					
Special assessments	\$ 417,936	\$ 1,682	\$ 114,472	\$ 913,406	\$ 1,447,496
Investment earnings	10,222	17	76	484	10,799
Other revenues	21,093	-	-	-	21,093
Total Revenues	<u>449,251</u>	<u>1,699</u>	<u>114,548</u>	<u>913,890</u>	<u>1,479,388</u>
<b>Expenditures</b>					
<b>Current</b>					
General government	68,440	-	-	-	68,440
Physical environment	173,347	-	-	-	173,347
Capital outlay	11,806	-	-	-	11,806
<b>Debt service</b>					
Principal	-	190,000	69,311	870,000	1,129,311
Interest	-	7,363	34,436	70,151	111,950
Other	-	2,269	471	3,997	6,737
Total Expenditures	<u>253,593</u>	<u>199,632</u>	<u>104,218</u>	<u>944,148</u>	<u>1,501,591</u>
Revenues in excess of expenditures	<u>195,658</u>	<u>(197,933)</u>	<u>10,330</u>	<u>(30,258)</u>	<u>(22,203)</u>
<b>Other financing sources (uses)</b>					
Operating transfers in	17	-	-	-	17
Operating transfers out	-	(17)	-	-	(17)
Total Other Financing Sources (Uses)	<u>17</u>	<u>(17)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>195,675</u>	<u>(197,950)</u>	<u>10,330</u>	<u>(30,258)</u>	<u>(22,203)</u>
Fund Balances - October 1, 2012	<u>1,374,045</u>	<u>197,950</u>	<u>145,729</u>	<u>729,742</u>	<u>2,447,466</u>
Fund Balances - September 30, 2013	<u>\$ 1,569,720</u>	<u>\$ -</u>	<u>\$ 156,059</u>	<u>\$ 699,484</u>	<u>\$ 2,425,263</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, 2013**

Net Change in Fund Balances -Total Governmental Funds	\$ (22,203)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount depreciation expense (\$1,220,792) exceeded capital asset additions (\$11,806) in the current period	(1,208,986)
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The amortization of deferred amount on refunding is recognized as a component of interest expense in the Statement of Activities, but not in the governmental funds. This is the amount of current year interest.	(7,140)
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Repayment of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities.	1,129,311
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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.	<u>21,413</u>
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Change in Net Position of Governmental Activities	<u><u>\$ (87,605)</u></u>
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*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, 2013**

	<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	\$ 417,936	\$ 2,412
Investment earnings	2,078	2,078	10,222	8,144
Other revenues	13,100	13,100	21,093	7,993
Total Revenues	<u>430,702</u>	<u>430,702</u>	<u>449,251</u>	<u>18,549</u>
Expenditures				
Current				
General government	81,305	81,305	68,440	12,865
Physical environment	349,397	349,397	173,347	176,050
Capital outlay	-	-	11,806	(11,806)
Total Expenditures	<u>430,702</u>	<u>430,702</u>	<u>253,593</u>	<u>177,109</u>
Revenues in excess of expenditures	<u>-</u>	<u>-</u>	<u>195,658</u>	<u>(195,658)</u>
Other financing sources (uses)				
Operating transfers in	-	-	17	17
Net change in fund balances	-	-	195,675	195,675
Fund Balance - October 1, 2012	<u>1,324,900</u>	<u>1,324,900</u>	<u>1,374,045</u>	<u>49,145</u>
Fund Balance - September 30, 2013	<u><u>\$1,324,900</u></u>	<u><u>\$ 1,324,900</u></u>	<u><u>\$1,569,720</u></u>	<u><u>\$ 244,820</u></u>

See accompanying notes to financial statements.

**Riverwood Community Development District**  
**STATEMENT OF NET POSITION –**  
**WATER & SEWER FUND**  
**September 30, 2013**

<b>ASSETS</b>	
Current Assets	
Investments	\$ 1,190,746
Accounts receivable	167,464
Due from other funds	21,144
Prepaid items	3,218
Restricted Assets-	
Customer deposits	118,053
Total Current Assets	<u>1,500,625</u>
Non-current Assets	
Restricted Assets-	
Investments	266,475
Interest receivable	14,069
Capital Assets:	
Land	330,000
Construction in progress	4,082
Buildings and improvements	1,078,024
Infrastructure	8,805,676
Accumulated depreciation	<u>(1,995,352)</u>
Total Non-current Assets	<u>8,502,974</u>
Total Assets	<u>10,003,599</u>
 DEFERRED OUTFLOW OF RESOURCES	
Deferred amount on refunding	<u>639</u>
Total Assets and Deferred Outflow of Resources	<u>10,004,238</u>
 LIABILITIES	
Current Liabilities	
Accounts payable and accrued expenses	79,203
Due to other governments	2,234
Accrued interest payable	6,588
Bonds payable, current portion	155,992
Payable from restricted assets-	
Customer deposits	118,053
Total Current Liabilities	<u>362,070</u>
Non-current Liabilities	
Bonds payable	<u>162,429</u>
Total Liabilities	<u>524,499</u>
 NET POSITION	
Invested in capital assets, net of related debt	7,904,648
Restricted:	
Sewer system	1,025,183
Debt service	163,780
Water system	157,394
Unrestricted	<u>228,734</u>
Total Net Position	<u>\$ 9,479,739</u>

*See accompanying notes to financial statements.*

**Riverwood Community Development District**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**FUND NET POSITION - WATER & SEWER FUND**  
**For the Year Ended September 30, 2013**

Operating revenues	
Charges for Services	
Water and sewer charges	\$ 1,727,944
Meter and connection fees	261,370
Total Operating Revenues	<u>1,989,314</u>
 Operating Expenses	
Cost of sales and services	1,280,408
General and administrative	461,422
Total Operating Expenses	<u>1,741,830</u>
 Operating Income	<u>247,484</u>
 Non-operating revenues/(expenses)	
Interest earnings	13,459
Grants and contributions	333,907
Capital assets contributed	627,935
Interest expense	(14,365)
Total Non-operating Revenues/(Expenses)	<u>960,936</u>
 Change in Net Position	1,208,420
 Net Position - October 1, 2012	<u>8,271,319</u>
 Net Position - September 30, 2013	<u>\$ 9,479,739</u>

*See accompanying notes to financial statements.*

**Riverwood Community Development District**  
**STATEMENT OF CASH FLOWS –**  
**WATER & SEWER FUND**  
**For the Year Ended September 30, 2013**

	Water & Sewer Fund
Cash Flows From Operating Activities	
Cash received from customers	\$ 2,117,491
Cash paid to suppliers	(1,547,809)
Net Cash Provided By Operating Activities	569,682
Cash Flows From Capital Activities	
Investment in capital assets	(2,015,440)
Interest paid on capital debt	(15,198)
Grants and contributions	961,842
Principal payments on long-term debt	(150,799)
Net Cash Used By Capital And Related Financing Activities	(1,219,595)
Cash Flows From Investing Activities	
Sales of investments	905,785
Purchases of investments	(870,418)
Interest income	9,393
Net Cash Provided By Investing Activities	44,760
Net increase in cash and equivalents	(605,153)
Cash and equivalents, beginning of year	605,153
Cash and equivalents, end of year	\$ -
Reconciliation of Net Operating Income to Net Cash Provided By Operating Activities	
Cash Flows From Operating Activities:	
Operating income	\$ 247,484
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	234,914
Changes in assets and liabilities:	
Decrease in accounts receivable	63,528
Increase in prepaid expenses	(293)
Increase in due from other funds	(21,144)
Decrease in due from other governments	85,793
Decrease in accounts payable	(40,600)
Total Adjustments	322,198
Net Cash Provided By Operating Activities	\$ 569,682

*See accompanying notes to financial statements.*

**Riverwood Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**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, 2013**

**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, 2013**

**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, 2013**

**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 position. The District applies all GASB pronouncements as well as all FASB and AICPA pronouncements, 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, 2013**

**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 position.

**Riverwood Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**4. Assets, Liabilities, and Net Position 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 position of the District are classified as restricted assets on the Statement of Net Position 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 position and then from unrestricted net position.

**Riverwood Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**4. Assets, Liabilities, and Net Position 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 Outflow of Resources**

Deferred outflow of resources is the consumption of net position by the government that is applicable to a future reporting period. Deferred amount on refunding is amortized and recognized as a component of interest expense over the life of the bond.

**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, 2013**

**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 Position**

“Total fund balances” of the District’s governmental funds (\$2,425,263) differs from “net position” of governmental activities (\$7,068,123) reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the statement of net position 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 position included those capital assets among the assets of the District as a whole.

Land	\$	614,960
Buildings and improvements		2,377,084
Equipment		19,000
Infrastructure		25,392,937
Accumulated depreciation		<u>(22,092,618)</u>
Total		<u>\$ 6,311,363</u>

**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 Position. Balances at September 30, 2013 were:

Bonds payable	\$	<u>(1,644,082)</u>
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**Deferred outflow of resources**

Deferred outflow of resources applicable to the District’s governmental activities are not financial resources and therefore, are not reported as fund deferred outflow of resources:

Deferred amount on refunding	\$	<u>3,560</u>
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**Riverwood Community Development District  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2013**

**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 Position (Continued)**

**Accrued interest**

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

Accrued interest	\$ <u>(27,981)</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, \$(22,203), differs from the “change in net position” for governmental activities, \$(87,605), 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 position decrease by the amount of depreciation expense charged for the year.

Depreciation expense	\$ (1,220,792)
Capital outlay	<u>11,806</u>
Total	<u>\$ (1,208,986)</u>

**Riverwood Community Development District  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2013**

**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)**

**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	<u>\$ 1,129,311</u>
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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	\$ 21,413
Decrease in deferred amount on refunding	<u>(7,140)</u>
Total	<u>\$ 14,273</u>

**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, 2013, the District's bank balance was \$797,453 and the carrying value was \$768,049. 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, 2013**

**NOTE C - CASH AND INVESTMENTS (CONTINUED)**

As of September 30, 2013, the District had the following investments and maturities:

Investment	Maturities	Fair Value
Certificates of Deposit	2/14/13-9/4/15	\$ 2,120,132
Commercial Paper	N/A	1,092,342
First American Government Obligation Fund Class Y	N/A	13,817
Florida State Board of Administration Florida Prime Fund B	N/A N/A	5,077 16,117
Total		<u>\$ 3,247,485</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 Florida Prime and Fund B.

The District had investments reported at fair value of \$16,117 at September 30, 2013 in Fund B. Fund B is not rated by any nationally recognized rating agency. Fund B consists of assets transferred from the Florida Prime 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, 2013**

**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, 2013. 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 65% of the District's investments. The investments in Commercial Paper represent 34% of the District's total investments. The investments in Local Government Surplus Funds Trust and First American Government Obligation Funds Class Y represent the remaining 1% of the District's investments.

The types of deposits and investments and their level of risk exposure as of September 30, 2013 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 2012-2013 fiscal year were levied in October 2012. 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, 2013**

**NOTE E – CAPITAL ASSETS**

Capital Asset activity for the year ended September 30, 2013 was as follows:

	Balance October 1, 2012	Additions	Deletions	Balance September 30, 2013
<b><u>Governmental activities:</u></b>				
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	5,306	-	2,377,084
Equipment	12,500	6,500	-	19,000
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>11,806</u>	<u>-</u>	<u>27,789,021</u>
Less accumulated depreciation for:				
Building - Amenity Center	(473,537)	(59,809)	-	(533,346)
Equipment	(4,614)	(1,966)	-	(6,580)
Infrastructure - water control	(7,995,078)	(441,717)	-	(8,436,795)
Infrastructure - roadways and other improvements	(12,398,597)	(717,300)	-	(13,115,897)
Total Accumulated Depreciation	<u>(20,871,826)</u>	<u>(1,220,792)</u>	<u>-</u>	<u>(22,092,618)</u>
Total Capital Assets Depreciated, Net	<u>6,905,389</u>	<u>(1,208,986)</u>	<u>-</u>	<u>5,696,403</u>
Governmental Activities Capital Assets	<u>\$ 7,520,349</u>	<u>\$ (1,208,986)</u>	<u>\$ -</u>	<u>\$ 6,311,363</u>

Depreciation expense of \$1,220,792 was charged to physical environment.

**Riverwood Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**NOTE E – CAPITAL ASSETS (CONTINUED)**

Capital Asset activity for the year ended September 30, 2013 was as follows:

	Balance October 1, 2012	Additions	Deletions	Balance September 30, 2013
<b><u>Business-type activities:</u></b>				
Capital assets, not being depreciated:				
Land	\$ 330,000	\$ -	\$ -	\$ 330,000
Construction in progress	1,298,053	4,082	(1,298,053)	4,082
Total Capital Assets, Not Depreciated	<u>1,628,053</u>	<u>4,082</u>	<u>(1,298,053)</u>	<u>334,082</u>
Capital assets, being depreciated:				
Buildings	1,078,024	-	-	1,078,024
Infrastructure - utilities	5,496,266	3,309,410	-	8,805,676
Total Capital Assets, Being Depreciated	<u>6,574,290</u>	<u>3,309,410</u>	<u>-</u>	<u>9,883,700</u>
Less accumulated depreciation for:				
Buildings	(500,249)	(26,951)	-	(527,200)
Infrastructure	(1,260,190)	(207,963)	-	(1,468,153)
Total Accumulated Depreciation	<u>(1,760,439)</u>	<u>(234,914)</u>	<u>-</u>	<u>(1,995,353)</u>
Total Capital Assets Depreciated, Net	4,813,851	3,074,496	-	7,888,347
Business-type Activities Capital Assets	<u>\$ 6,441,904</u>	<u>\$ 3,078,578</u>	<u>\$(1,298,053)</u>	<u>\$ 8,222,429</u>

Depreciation expense of \$234,914 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, 2013:

**Governmental Activities**

Long-term debt at October 1, 2012	\$ 2,773,393
Principal payments	<u>(1,129,311)</u>
Long-term debt at September 30, 2013	<u>\$ 1,644,082</u>

**Riverwood Community Development District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2013**

**NOTE F – LONG-TERM DEBT (CONTINUED)**

Long-term debt is comprised of the following:

Revenue Bonds

\$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.	\$ 814,082
\$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>830,000</u>
Total long-term debt	<u><u>\$ 1,644,082</u></u>

The annual requirements to amortize the principal and interest of bonded debt outstanding as of September 30, 2013 are as follows:

Year Ending September 30,	Principal	Interest	Total
2014	\$ 903,549	\$ 66,155	\$ 969,704
2015	74,836	28,704	103,540
2016	77,772	25,768	103,540
2017	80,962	22,578	103,540
2018	84,212	19,328	103,540
2019-2023	422,751	43,178	465,929
Totals	<u>\$ 1,644,082</u>	<u>\$ 205,711</u>	<u>\$ 1,849,793</u>

**Riverwood Community Development District  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2013**

**NOTE F – LONG-TERM DEBT (CONTINUED)**

**Business-type Activities**

Long-term debt at October 1, 2012	\$	468,180
Principal payments		<u>(149,759)</u>
Long-term debt at September 30, 2013	\$	<u><u>318,421</u></u>

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. \$ 318,421

The annual requirements to amortize the principal and interest of bonded debt outstanding as of September 30, 2013 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 155,992	\$ 6,703	\$ 162,695
2015	<u>162,429</u>	<u>3,361</u>	<u>165,790</u>
Totals	<u><u>\$ 318,421</u></u>	<u><u>\$ 10,064</u></u>	<u><u>\$ 328,485</u></u>

**Riverwood Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**NOTE F – LONG-TERM DEBT (CONTINUED)**

Summary of Significant Bonds Resolution Terms and Covenants

**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.

**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, 2013.

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, 2013**

**NOTE F – LONG-TERM DEBT (CONTINUED)**

Summary of Significant Bonds Resolution Terms and Covenants (Continued)

**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.

**Special Assessment Revenue Refunding Bonds, Series 2007B**

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. Monies held in the reserve account 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 2007B Special Assessment Revenue Refunding Bond	\$ 357,582	\$ 357,582

**Riverwood Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

**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 – NET POSITION AND DEFERRED OUTFLOW OF RESOURCES**

The District adopted Governmental Accounting Standards Board Statement (GASB) No. 63, which amends net asset reporting by establishing deferred outflows and deferred inflows of resources and renamed the residual measure net position. The District also adopted GASB Statement No. 65, which reclassified certain accounts as deferred outflows and deferred inflows of resources. As a result of the new accounting standards, the deferred amount on refunding was reclassified from a contra-liability to a deferred outflow of resources and net assets were renamed net position.

**NOTE I – PRIOR PERIOD ADJUSTMENT**

Governmental Accounting Standards Board Statement No. 65 altered accounting for bond issuance costs by requiring such cost be expensed in the period incurred. Bond issuance costs were previously capitalized and amortized over the life of the bond. Net position was restated to reflect this change in accounting principles. The effect on net position is illustrated below.

**Governmental Activities**

Net position, October 1, 2012 as previously reported	\$ 7,161,405
Prior period adjustment - removal of bond issuance costs	(5,677)
Net position, October 1, 2012 restated	\$ 7,155,728

**Business-Type Activities**

Net position, October 1, 2012 as previously reported	\$ 8,273,584
Prior period adjustment - removal of bond issuance costs	(2,265)
Net position, October 1, 2012 restated	\$ 8,271,319



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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, in accordance with the 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, the financial statements of Riverwood Community Development District, as of and for the year ended September 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated March 31, 2014.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Riverwood Community Development District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Riverwood Community Development District's internal control. 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Berger, Toombs, Elam,  
Gaines & Frank*

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

March 31, 2014



# Berger, Toombs, Elam, Gaines & Frank

Certified Public Accountants PL

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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, 2013, and have issued our report thereon dated March 31, 2014.

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 31, 2014 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. and 4.) 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, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not discover any of the above items that require to be disclosed.

Fort Pierce / Stuart

To the Board of Supervisors  
Riverwood Community Development District

As required by the Rules of the Auditor General (Section 10.554(1)(i)5), the name or official title and legal authority for the primary government and each component unit of the reporting entity are disclosed in the notes to the financial statements.

As required by the Rules of the Auditor General (Section 10.554(1)(i)6.b.), we determined that the annual financial report for the District for the fiscal year ended September 30, 2013, 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, 2013.

As required by the Rules of the Auditor General (Section 10.554(1)(i)6.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.

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, Federal and other granting agencies 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 31, 2014