

**RIVERWOOD ESTATES
COMMUNITY DEVELOPMENT DISTRICT**

FINANCIAL REPORT

Year Ended September 30, 2014

**RIVERWOOD ESTATES COMMUNITY DEVELOPMENT DISTRICT
TABLE OF CONTENTS
YEAR ENDED SEPTEMBER 30, 2014**

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS (required supplemental information)	4 - 7
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements	
Governmental Fund Financial Statements:	
Balance Sheet	10
Reconciliation of the Balance Sheet to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balances	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Notes to Financial Statements	14 - 25
REQUIRED SUPPLEMENTAL INFORMATION (other than MD&A)	
Budget to Actual Comparison Statement - General Fund	26
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	27 - 28
Management Letter and Attestation Report on Compliance with Section 218.415 Florida Statutes	29 - 35
Response to the Management Comments	36 - 37



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the *Riverwood Estates Community Development District* ("District"), as of and for the year ended September 30, 2014, and related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

An audit 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 assessments 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 opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Adverse
General Fund	Unmodified
Debt Service Fund	Unmodified

Basis for Adverse Opinion on Governmental Activities

Management has not included financial data for the Special Purpose Entity ("SPE"), which is a legally separate discrete component unit. Accounting principles generally accepted in the United States of America require financial data of this component unit to be reported with the financial data of the District if the nature and significance of its relationship with the District is such that, if excluded, the financial statements of the District would be considered misleading. We believe that the exclusion of the financial data of the above mentioned component unit results in financial statements that are misleading. The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses of the governmental activities is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities of the District, as of September 30, 2014, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each major fund of the District, as of September 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Notes 5 and 7 to the financial statements, the Developer declared bankruptcy in fiscal year 2009 and has not paid assessments owed to the District. As a result, the District has been unable to make its debt service payments on the Series 2006 Bonds. In December 2010, the Developer's property was awarded to the SPE through Federal Bankruptcy Court. The SPE was formed by the Trustee, on behalf of the Bondholders, to own, manage and dispose of the property and is responsible for funding current operating and maintenance costs. The Trustee has directed the District to temporarily defer collection of the debt service assessments encumbering the property. The Trustee, at the direction of the bondholders, funds the SPE from the District trust accounts. If District funds are no longer available and another funding source has not been secured, the SPE may convey its property to the District or another mutually agreed upon party and the SPE will dissolve. These conditions as well as the District's cash and Trust account balances, indicate deteriorating financial conditions.

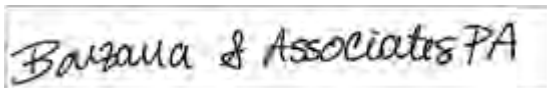
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Budget to Actual Comparison Statement on pages 4 through 7 and 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 15, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.



Barzana & Associates, P.A.

Tampa, Florida
March 15, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the *Riverwood Estates Community Development District's* (the "District") financial accomplishments provide an overview of the District's financial activities for the year ended September 30, 2014. Please read it in conjunction with the District's Independent Auditor's Report, financial statements and accompanying notes.

This information is being presented to provide additional information regarding the activities of the District and to meet the disclosure requirements of Government Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued June 1999.

Financial Highlights

- The liabilities of the District exceeded its assets at September 30, 2014 by \$7,978,865, an increase in the deficit of \$727,705 in comparison with the prior year.
- At September 30, 2014, the District's governmental funds reported a combined fund deficit of \$(16,657,117), an increase in the deficit of \$996,520 in comparison with the prior year.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

The government-wide financial statements include all District activities that are principally supported by special assessment revenues. The District does not have any business-type activities. The governmental activities of the District include general government and physical environment related functions.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has one fund category: Governmental Funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

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

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

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

Notes to Financial Statements

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

Government-Wide Financial Analysis

Statement of Net Position - The District's net position was \$(7,978,865) at September 30, 2014. The following analysis focuses on the net deficit of the District's governmental activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-Wide Financial Analysis (Continued):

Riverwood Estates Community Development District Statement of Net Position

	September 30, 2014	September 30, 2013
Assets		
Assets, excluding capital assets	\$ 22,574	\$ 29,985
Capital assets not being depreciated	21,569,725	21,569,725
Total assets	21,592,299	21,599,710
Liabilities		
Current Liabilities	16,992,444	16,003,335
Long-term liabilities	12,578,720	12,847,535
Total Liabilities	29,571,164	28,850,870
Net Position		
Net investment in capital assets	(1,215,441)	(1,210,161)
Unrestricted	(6,763,424)	(6,040,999)
Total net position	(7,978,865)	(7,251,160)
Total liabilities and net position	\$ 21,592,299	\$ 21,599,710

The following is a summary of the District's governmental activities for the fiscal years ended September 30, 2014 and 2013.

Changes in Net Position Year ended September 30,

	2014	2013
Revenues:		
Program revenues	\$ 49,236	\$ 3
Expenses:		
General government	24,727	56,306
Physical environment	423	362
Interest on long-term debt	751,791	1,007,729
Total expenses	776,941	1,064,397
Increases (decreases) in net position	(727,705)	(1,064,394)
Net position, beginning, previously stated	(7,251,160)	(5,902,467)
Effect of adoption of GASB No. 65 (Note 1)	-	(284,299)
Net position, beginning, as restated	(7,251,160)	(6,186,766)
Net position, ending	\$ (7,978,865)	\$ (7,251,160)

As noted in this summary and in the statement of activities, the cost of all governmental activities during the year ended September 30, 2014 was \$776,941. The majority of these costs are comprised of interest on bonds outstanding at September 30, 2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the Government's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At September 30, 2014, the District's governmental funds reported a combined fund deficit of \$(16,657,117). Of this total, \$1,610 is nonspendable, and the remainder is a negative unassigned fund balance of \$(16,658,727).

The fund balance of the District's general fund increased by \$29,365 compared to the prior year.

The debt service fund balance decreased by \$1,025,885 from the prior year because no revenue was collected in the current year to fund the interest and principal due on the Series 2006 Bonds.

General Fund Budgetary Highlights

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control is at the fund level.

Capital Asset and Debt Administration

Capital Assets - At September 30, 2014, the District had \$21,569,725 invested in land and infrastructure under construction.

Capital Debt - At September 30, 2014, the District had \$22,805,000 in bonds outstanding, including \$10,200,000 in matured bonds payable. More detailed information about the District's capital debt is presented in the notes to the financial statements.

Requests for Information

If you have questions about this report or need additional financial information, contact the *Riverwood Estates Community Development District's* Finance Department at 3434 Colwell Avenue, Suite 200, Tampa, Florida 33614.

FINANCIAL STATEMENTS

**RIVERWOOD ESTATES COMMUNITY DEVELOPMENT DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

	Governmental Activities
Assets	
Cash	\$ 1,076
Prepaid expenses	1,610
Restricted assets:	
Temporarily restricted investments	19,888
Capital assets not being depreciated	21,569,725
Total assets	21,592,299
 Liabilities	
Accounts payable	1,430
Accrued expenses	250
Accrued interest payable	312,753
Matured bonds payable	10,200,000
Matured interest payable	6,478,011
Non-current liabilities:	
Due within one year	285,000
Due in more than one year	12,293,720
Total liabilities	29,571,164
 Net Position	
Net investment in capital assets	(1,215,441)
Unrestricted	(6,763,424)
Total net position	\$ (7,978,865)

See accompanying notes to financial statements.

**RIVERWOOD ESTATES COMMUNITY DEVELOPMENT DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ (24,727)	\$ -	\$ 49,234	\$ -	\$ 24,507
Physical environment	(423)	-	-	-	(423)
Interest on long-term debt	(751,791)	-	2	-	(751,789)
Total governmental activities	<u>\$ (776,941)</u>	<u>\$ -</u>	<u>\$ 49,236</u>	<u>\$ -</u>	<u>(727,705)</u>
					(727,705)
					<u>(7,251,160)</u>
					<u>\$ (7,978,865)</u>

See accompanying notes to financial statements.

**RIVERWOOD ESTATES COMMUNITY DEVELOPMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Assets			
Cash	\$ 1,076	\$ -	\$ 1,076
Investments	-	19,888	19,888
Prepaid expenditures	1,610	-	1,610
Total assets	<u>\$ 2,686</u>	<u>\$ 19,888</u>	<u>\$ 22,574</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 1,430	\$ -	\$ 1,430
Accrued expenses	250	-	250
Matured bonds payable	-	10,200,000	10,200,000
Matured interest payable	-	6,478,011	6,478,011
Total liabilities	1,680	16,678,011	16,679,691
Fund balances			
Non-Spendable:			
Prepaid items	1,610	-	1,610
Unassigned	(604)	(16,658,123)	(16,658,727)
Total fund balances	<u>1,006</u>	<u>(16,658,123)</u>	<u>(16,657,117)</u>
Total liabilities and fund balances	<u>\$ 2,686</u>	<u>\$ 19,888</u>	<u>\$ 22,574</u>

See accompanying notes to financial statements.

**RIVERWOOD ESTATES COMMUNITY DEVELOPMENT DISTRICT
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

Total fund balances, governmental funds	\$ (16,657,117)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements.	21,569,725
Liabilities not due and payable from current resources, including accrued interest, are not reported in the fund financial statements.	<u>(12,891,473)</u>
Total net position - governmental activities	<u>\$ (7,978,865)</u>

See accompanying notes to financial statements.

**RIVERWOOD ESTATES COMMUNITY DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Revenues			
SPE contributions	\$ 49,234	\$ -	\$ 49,234
Interest income	-	2	2
	<u>49,234</u>	<u>2</u>	<u>49,236</u>
Expenditures			
Current:			
General government	19,446	5,281	24,727
Physical environment	423	-	423
Debt service:			
Interest	-	750,606	750,606
Principal	-	270,000	270,000
Total expenditures	<u>19,869</u>	<u>1,025,887</u>	<u>1,045,756</u>
Net change in fund balances	29,365	(1,025,885)	(996,520)
Fund balances, beginning of year	<u>(28,359)</u>	<u>(15,632,238)</u>	<u>(15,660,597)</u>
Fund balances, end of year	<u>\$ 1,006</u>	<u>\$ (16,658,123)</u>	<u>\$ (16,657,117)</u>

See accompanying notes to financial statements.

**RIVERWOOD ESTATES 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, 2014**

Net change in fund balances - governmental funds	\$	(996,520)
--	----	-----------

Repayments of long-term liabilities are reported as expenditures in governmental funds, while repayments reduce long term liabilities in the statement of net position.

Matured bonds payable		270,000
-----------------------	--	---------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Amortization of bond discount	<u>(1,185)</u>		<u>(1,185)</u>
Change in net position of governmental activities		<u>\$</u>	<u>(727,705)</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

**RIVERWOOD ESTATES COMMUNITY DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

Note 1 - Summary of Significant Accounting Policies:

Reporting Entity

The *Riverwood Estates Community Development District*, (the "District") was established by Pasco County Ordinance 06-01 enacted on February 14, 2006 pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190 Florida Statutes. The Act provides among other things, the power to manage basic services for community development, the power to borrow money and issue bonds, and the power to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure. The District was established for the purpose of financing and managing the acquisition, construction, maintenance and operation of a portion of the infrastructure necessary for community development within the District.

The District is governed by the Board of Supervisors (the "Board"), which is composed of five members. The Supervisors are elected on an at large basis by the owners of the property within the District. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has the final responsibility for:

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

In fiscal year 2009, the Developer declared bankruptcy and development activities of the District were halted. In May 2010, a Special Purpose Entity ("SPE"), Riverwood Estates Holdco, LLC, was awarded the Developer property through Federal Bankruptcy Court. The SPE became legal owner of the property in December 2010. The SPE was formed by the Trustee, on behalf of the Bondholders, to own, manage and dispose of the property. The District is economically dependent on the SPE.

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement 14, and Statement 61, an amendment of GASB Statement 14. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District Board of Supervisors is considered to be financially accountable, and other organizations (component units) for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. Management has determined that there are no entities considered to be component units of the District.

**RIVERWOOD ESTATES COMMUNITY DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

Note 1 - Summary of Significant Accounting Policies (Continued):

Government-Wide and Fund Financial Statements

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants, contributions and investment earnings that are restricted to meeting the operational or capital requirements of a particular function or segment and 3) operating-type special assessments that are treated as charges for services (including assessments for maintenance and debt service). Other items not included among program revenues are reported instead as *general revenues*.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Assessments, including debt service assessments and operation and maintenance assessments, are non-ad valorem assessments imposed on all lands located within the District and benefited by the District's activities. Operation and maintenance special assessments are typically levied by the District prior to the start of the fiscal year which begins October 1st and ends on September 30th. These assessments are imposed upon all benefited lands located in the District. Debt service special assessments are imposed upon certain lots and lands as described in each resolution imposing the special assessment for each series of bonds issued by the District. Certain debt service assessments are collected upon the closing of those lots subject to short term debt and are used to prepay a portion of the bonds outstanding.

**RIVERWOOD ESTATES COMMUNITY DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

Note 1 - Summary of Significant Accounting Policies (Continued):

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

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

The District reports the following major governmental funds:

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 - accounts for the accumulation of resources for the annual payment of principal and interest on long-term general obligation debt.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

New Accounting Standards Implemented

In the prior fiscal year, the District implemented three new accounting standards as follows:

GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

This Statement incorporates into the GASB's authoritative literature certain guidance that previously could only be found in certain FASB and AICPA pronouncements issued on or before November 30, 1989 and eliminates the selection to apply post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements.

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.

This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements by incorporating deferred outflow of resources and deferred inflows of resources (previously reported as assets and liabilities) into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities

**RIVERWOOD ESTATES COMMUNITY DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

Note 1 - Summary of Significant Accounting Policies (Continued):

New Accounting Standards Implemented (Continued):

This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources, certain items that were previously reported as assets and liabilities.

The implementation of GASB 65 resulted in the write off of bond issuance costs and the effect of adoption of GASB 65 is the reduction of beginning net position by \$284,299 of the Governmental activities. The effect on fiscal year 2012 had the implementation of GASB 65 occurred earlier would have resulted in a decrease in expenses of the governmental activities by \$47,048.

Assets, Liabilities and Net Position or Equity

Restricted Assets - These assets represent cash and investments set aside pursuant to bond covenants

Deposits and Investments - The District's cash and cash equivalents are considered to be cash on hand and demand deposits.

Investments of the District are reported at fair value. The District's investments consist of investments authorized per their investment policy adopted in accordance with Section 218.415, Florida Statutes.

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

Capital Assets - Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

All capital asset acquisition and construction is considered land and infrastructure under construction at September 30, 2014.

Long Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds issuance costs are expensed as incurred. Bonds payable are reported net of premiums or discounts.

**RIVERWOOD ESTATES COMMUNITY DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

Note 1 - Summary of Significant Accounting Policies (Continued):

Assets, Liabilities and Net Position or Equity (Continued):

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

Fund Balance Categories and Classification - The District implemented GASB 54 in 2011, which established the following fund balance classifications: nonspendable, restricted, committed, assigned, and unassigned. The District's general spending prioritization policy is to consider restricted resources to have been used first, followed by assigned and unassigned amounts when expenditures have been incurred for which resources in more than one classification could be used

Nonspendable Fund Balance - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Spendable Fund Balance:

- **Restricted** - includes fund balance amounts that are constrained for specific purposes which are externally imposed by debt covenants or amounts constrained due to constitutional provisions or enabling legislation.
- **Committed** - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority, which is the Board of Supervisors.
- **Assigned** - includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The Board of Supervisors has authorized the District Manager to assign amounts for specific purposes.
- **Unassigned** - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

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

Other Disclosures

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

**RIVERWOOD ESTATES COMMUNITY DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

Note 2 - Stewardship, Compliance and Accountability:

A. Budgetary Information

The District is required to establish a budgetary system and an approved annual budget for the General Fund. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at the fiscal year end. The legal level of budgetary control is at the fund level. Any budget amendments that increase the aggregate budgeted appropriations, at the fund level, must be approved by the Board of Supervisors.

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

1. Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
2. A public hearing is conducted to obtain comments.
3. Prior to October 1, the budget is legally adopted by the District Board.
4. All budget changes must be approved by the District Board.
5. The budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

B. Deficit Fund Balance

At September 30, 2014, the debt service fund had a deficit fund balance of \$(16,658,123).

C. Funds Available in Excess of Appropriations

Appropriations in the general fund were higher than anticipated revenues.

D. Expenditures in Excess of Appropriations

Budgeted expenditures exceeded actual expenditures in the general fund by \$11,006.

**RIVERWOOD ESTATES COMMUNITY DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

Note 3 - Deposits and Investments:

Deposits

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

Investments

Investments are stated at fair value, which is the amount for which an investment could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale. Fair value is based on quoted market prices. Changes in the fair value of investments are recognized as revenue and included in investment revenue. Investment revenue is recognized as earned and is recorded in the respective funds related to the investment activity.

The District's investment policy is governed by State Statutes and the District Trust Indenture. The District investment policy allows investments in any financial institution that is a qualified public depository of the State of Florida as identified by the State Treasurer, in accordance with Chapter 280 of the Florida Statutes. Authorized District investments include, but are not limited to:

1. The Local Government Surplus Funds Trust Fund (SBA);
2. Securities and Exchange Commission Registered Money Market Funds with the highest credit quality rating from a nationally recognized rating agency;
3. Interest-bearing time deposits or savings accounts in qualified public depositories;
4. Direct obligations of the U.S. Treasury;
5. Short-term bond funds investing in U.S. Government securities or U.S. Government Agency Securities;
6. Securities of registered investment companies (mutual funds) that are limited to obligations of the U.S. Government or any agency or instrumentality thereof.

**RIVERWOOD ESTATES COMMUNITY DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

Note 3 - Deposits and Investments (Continued):

Investments (Continued):

Investments made by the District at September 30, 2014 are summarized below. In accordance with GASB 31, investments are reported at fair value.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity</u>
Wells Fargo Advantage Government Money Market Fund	19,888	not rated	N/A

Credit Risk:

The District's investment policy limits credit risk by restricting authorized investments to those described above. Investments in U.S. Government securities and agencies must be backed by the full faith and credit of the United States Government. Short term bond funds shall be rated by a nationally recognized ratings agency and shall maintain the highest credit quality rating.

Custodial Credit Risk:

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2014, all of the District's bank deposits were in qualified public depositories.

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2014, none of the investments listed are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk:

The District's investment policy requires diversification, but does not specify limits on types of investments.

Interest Rate Risk:

The District's investment policy does not specifically address interest rate risk, however the general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments. The District manages its exposure to declines in fair values by investing primarily in pooled investments that have a weighted average maturity of less than three months.

**RIVERWOOD ESTATES COMMUNITY DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

Note 4 - Capital Assets:

Capital asset activity for the year ended September 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 3,383,712	\$ -	\$ -	\$ 3,383,712
Infrastructure under construction	18,186,013	-	-	18,186,013
Total capital assets not being depreciated	<u>21,569,725</u>	<u>-</u>	<u>-</u>	<u>21,569,725</u>
Governmental activities capital assets	<u>\$ 21,569,725</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,569,725</u>

Note 5 - Long-Term Liabilities:

On December 1, 2006, the District issued \$23,000,000 of Capital Improvement Revenue Bonds Series 2006. These Bonds consist of \$14,225,000 Series 2006A Bonds due on May 1, 2037 with a fixed interest rate of 5.35% and \$8,775,000 of Series 2006B Bonds due May 1, 2013 with a fixed interest rate of 5%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is paid semiannually on each May 1 and November 1, commencing May 1, 2007. Principal on the Series 2006A Bonds, maturing on May 1, 2037, is payable annually commencing May 1, 2008 through May 1, 2037. Principal on the Series 2006B Bonds was payable on May 1, 2013.

The Series 2006A Bonds are subject to redemption at the option of the District, in whole or in part at anytime on or after May 1, 2016 at a redemption price as set forth in the Bond Indenture. The Series 2006B Bonds are not subject to optional redemption.

The Series 2006 Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Indenture.

In prior years, \$214,848 was moved from interfund due to/due from accounts to interfund transfer accounts when it was determined that the general fund was unable return these funds to the debt service fund.

**RIVERWOOD ESTATES COMMUNITY DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

Note 5 - Long-Term Liabilities (Continued):

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirements as defined in the Indenture. The District is not in compliance with this requirement at September 30, 2014.

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 installments adequate to provide payment of debt service and to meet the reserve requirements. Payment of the principal and interest on the Series 2006 Bonds is secured by a pledge of and first lien upon the pledged special assessment revenue. The District is not in compliance with certain requirements of the Bond Indenture.

Total principal and interest remaining on the Series 2006 Revenue Bonds at September 30, 2014 is \$40,680,125. Of this amount, \$16,678,011 is recorded as matured bonds payable and matured interest payable, representing amounts owed for fiscal years 2009 through 2014. Interest of \$750,606 and principal of \$270,000 was due in the current year, but was not paid. No special assessment revenue was pledged in the current year.

Long-term debt activity for the year ended September 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds Payable:					
Special assessment debt with District	\$ 12,875,000	\$ -	\$ (270,000)	\$ 12,605,000	\$ 285,000
Less issuance discount	(27,465)	-	1,185	(26,280)	-
Governmental activity long-term liabilities	<u>\$ 12,847,535</u>	<u>\$ -</u>	<u>\$ (268,815)</u>	<u>\$ 12,578,720</u>	<u>\$ 285,000</u>

The schedule above includes a principal reduction of \$10,200,000 that was due but was not paid. The beginning balance includes a reduction of \$9,930,000 that was due in prior fiscal years but was not paid. These amounts, totaling \$10,200,000, were reclassified into matured bonds payable.

At September 30, 2014, the scheduled debt service requirements on the bonds payable were as follows, excluding amounts owed for principal and interest that are shown as currently due in matured bonds payable and matured interest payable:

**RIVERWOOD ESTATES COMMUNITY DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

Note 5 - Long-Term Liabilities (Continued):

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 285,000	\$ 750,606
2016	300,000	735,358
2017	315,000	719,308
2018	335,000	702,456
2019	355,000	684,532
2020 - 2024	2,085,000	3,116,108
2025 - 2029	2,730,000	2,493,370
2030 - 2034	3,560,000	1,679,366
2035 - 2038	2,640,000	516,010
	<u>\$ 12,605,000</u>	<u>\$ 11,397,114</u>

Note 6 - Net Deficit:

The District has a government-wide net deficit of \$(7,978,865) as of September 30, 2014. The deficit is primarily caused by uncollected assessments from the Developer.

Note 7 - Special Purpose Entity and Deteriorating Financial Condition:

In fiscal year 2009, the Developer declared bankruptcy and development activities on the District were halted. In May 2010, a Special Purpose Entity ("SPE"), Riverwood Estates Holdco, LLC, was awarded the Developer property through Federal Bankruptcy Court. The SPE was formed by the Trustee, on behalf of the Bondholders, to own, manage and dispose of the property. The SPE became legal owner of the property in December 2010 and is responsible for funding current operating and maintenance costs. The Trustee has directed the District to temporarily defer collection of the debt service assessments encumbering the property.

The Trustee, at the direction of the bondholders, funds the SPE from the District trust accounts. In the current year, the District did not transfer any funds to the SPE. If District funds are no longer available and another funding source has not been secured, the SPE may convey its property to the District or another mutually agreed upon party and the SPE will dissolve.

In the current fiscal year, the SPE transferred \$49,234 to the District.

**RIVERWOOD ESTATES COMMUNITY DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

Note 8 - Risk Management:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance from independent third parties. The District has not filed any claims under this commercial coverage during the last three years.

Note 9 - Subsequent Events:

Failure to Make Bond Debt Service Payments When Due

The November 2014 debt service payments were not made on the Series 2006 Bonds because no debt service assessments were collected.

Assignment of Limited Liability Company Unit and Termination of Tri-Party Agreement

Subsequent to year end, the managing member of the SPE assigned all of its interest in the SPE to a new entity, Riverwood Estates Management, LLC. Additionally, the Tri Party Agreement among the District, the SPE and the Trustee has been terminated.

**RIVERWOOD ESTATES COMMUNITY DEVELOPMENT DISTRICT
BUDGET TO ACTUAL COMPARISON STATEMENT – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
SPE contributions	\$ 30,875	\$ 30,875	\$ 49,234	\$ 18,359
Expenditures				
General government	30,475	30,475	19,446	11,029
Maintenance and operations	400	400	423	(23)
Total expenditures	30,875	30,875	19,869	11,006
Excess (deficiency) of revenues over expenditures	-	-	29,365	29,365
Fund balance, beginning of year	-	-	(28,359)	(28,359)
Fund balance, end of year	\$ -	\$ -	\$ 1,006	\$ 1,006



**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 Estates Community Development District
Pasco County, Florida

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the *Riverwood Estates Community Development District* (the "District") as of and for the year ended September 30, 2014, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 15, 2015, which includes an explanatory paragraph regarding the adverse opinion for the omission of the discrete component unit and deteriorating financial conditions. 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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified.

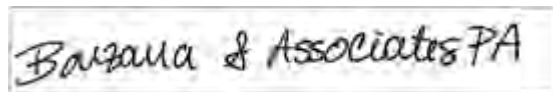
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 certain instances of noncompliance. See Appendix C of the accompanying report to management dated March 15, 2015.

We noted certain other matters that we reported to management of the District, in a separate letter dated March 15, 2015. The District's response to our findings identified in our audit is included in this report. We did not audit the District's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

A rectangular box containing a handwritten signature in black ink that reads "Barzana & Associates PA".

Barzana & Associates, P.A.

Tampa, Florida
March 15, 2015



MANAGEMENT LETTER

Board of Supervisors
Riverwood Estates Community Development District
Pasco County, Florida

Report on the Financial Statements

We have audited the financial statements of the *Riverwood Estates Community Development District* (the "District") as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated March 15, 2015.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Florida Auditor General.

Other Reports

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 15, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The status of management's response to recommendations included in the preceding annual financial report is outlined in Appendix A to this report.

Official Title and Legal Authority

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information has been disclosed in the notes to the financial statements.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not Riverwood Estates Community Development District has met one or more of the conditions described in Section 218.503 (1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Riverwood Estates Community Development District met one of the conditions described in Section 218.503(1), Florida Statutes, as a result of deteriorating financial conditions, as defined in Rule 10.554(1)(f), Rules of the Auditor General. This condition is described in Appendix D.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Riverwood Estates Community Development District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. Deteriorating financial conditions were noted as indicated above under Section 10.554(1)(i)5.a.

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the Riverwood Estates Community Development District for the fiscal year ended September 30, 2014, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2014. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d, Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with the audit, we determined that all special district component units did not provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes. See condition described in Appendix B.

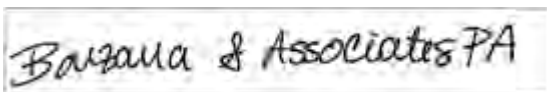
Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

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, the Board of Supervisors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



Barzana & Associates, P.A.

Tampa, Florida
March 15, 2015



INDEPENDENT ACCOUNTANTS' REPORT

Board of Supervisors
Riverwood Estates Community Development District
Pasco County, Florida

We have examined the Riverwood Estates Community Development District's compliance with the requirements of Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2014. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our Examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September, 30, 2014.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Barzana & Associates PA

Barzana & Associates, P.A.

Tampa, Florida
March 15, 2015

**RIVERWOOD ESTATES COMMUNITY DEVELOPMENT DISTRICT
 APPENDIX A – PRIOR YEAR RECOMMENDATIONS
 YEAR ENDED SEPTEMBER 30, 2014**

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2012-2013 FY Finding #	2011-2012 FY Finding #
14-01	13-01	12-01
14-02	13-02	12-02
14-03	13-03	12-03

**RIVERWOOD ESTATES COMMUNITY DEVELOPMENT DISTRICT
APPENDIX B – MATERIAL WEAKNESS
YEAR ENDED SEPTEMBER 30, 2014**

14-03 - Failure to Include Component Unit Financial Statements in the Financial Report

Criteria

Generally accepted accounting principles require that the District include the financial statements of the Special Purpose Entity (“SPE”) in their audited financial report as a discretely-presented component unit.

Condition

The SPE is not included as a component unit in the District’s financial report.

Cause

It is the District’s position that the SPE is not a component unit of the District.

Effect

Barzana & Associates, P.A. could not audit these records nor include them as a discretely-presented component unit in the District’s government-wide financial statements.

Recommendation

We recommend the District include the SPE as a discretely-presented component unit of the District’s government-wide financial statements.

**RIVERWOOD ESTATES COMMUNITY DEVELOPMENT DISTRICT
APPENDIX C – COMPLIANCE VIOLATIONS OF LAWS, REGULATIONS
AND CONTRACTUAL PROVISIONS
YEAR ENDED SEPTEMBER 30, 2014**

14-01 - Failure to Make Debt Service Payments When Due

Criteria

The Special Assessment Revenue Bonds Series 2006 require semiannual interest payments and annual principal payments as per the Bond Indenture.

Condition

In the current and prior years, the District did not pay principal and interest due on the Series 2006 Bonds.

Cause

The Trustee has directed the District not to collect debt service special assessments. The District, therefore is not receiving debt service assessments due to Developer's nonpayment and Special Purpose Entity purchase of the land within the District.

Effect

At September 30, 2014, the District was not in compliance with the requirements of the Bond Indenture and has met a financial emergency condition as described in Florida Statute Section 218.503(1).

Recommendation

We recommend the District utilize all remedies available to bring debt service payments current.

14-02 - Failure to Meet Debt Service Reserve Account Requirement

Criteria

The Trust Indenture requires the District to maintain a minimum balance in the Debt Service Reserve Account.

Condition

At September 30, 2014, the Debt Service Reserve Account was deficient.

Cause

The balance in the Debt Service Reserve Account was used to pay District operating and maintenance expenses and trustee fees.

Effect

The District is not in compliance with the Trust Indenture.

Recommendation

We recommend the District utilize all remedies available to replenish the Debt Service Reserve Account.

**RIVERWOOD ESTATES COMMUNITY DEVELOPMENT DISTRICT
APPENDIX D – CONDITIONS OF FINANCIAL EMERGENCY
YEAR ENDED SEPTEMBER 30, 2014**

14-01 - Failure to Make Debt Service Payments When Due

In the current and prior years, the District did not pay principal and interest due on the Series 2006 Bonds as a result of lack of funds; therefore the District meets Section 218.503(1)(a) as a financial emergency condition.

RIVERWOOD ESTATES COMMUNITY DEVELOPMENT DISTRICT

DISTRICT OFFICE • 5844 OLD PASCO ROAD • SUITE 100 • WESLEY CHAPEL, FLORIDA 33544

March 15, 2015

Response to the Management Letter for the fiscal year ended September 30, 2014

Management Letter finding 14-01:

The auditor noted that the District did not make the required debt service interest and principal payments on the Series 2006 bonds.

District response to the finding:

During the year ending September 30, 2009, the Developer declared bankruptcy and abandoned the project. The Developer was unable to pay their debt service assessments and therefore the Bonds went into default. During the year ending September 30, 2010, the Federal Bankruptcy Court mandated a sale of the land and gave the District a credit for bidding on the land equal to the par amount of the bonds. The Court mandated that a minimum of one million dollars must be bid by the District. The District assigned its rights to a SPE, which was successful in securing the land with the minimum bid. Subsequent to that the District withdrew its foreclosure suit. The SPE has assumed responsibility for the operations and maintenance payments. The past due and future debt service payments will be held in abeyance until the trustee notifies the District to the contrary.

Management Letter finding 14-02:

The auditor noted that the District's Series 2006 Debt Service Reserve Accounts were deficient at September 30, 2014, as a result of funds from the Reserve Accounts being used to make debt service payments and fund District operations due to non payment from the Developer.

District response to the finding:

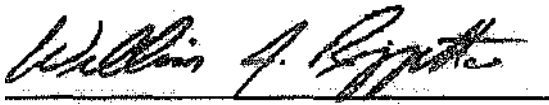
As mentioned above, during the year ending September 30, 2009, the Developer declared bankruptcy and abandoned the project. They were unable to pay their assessments on the Series 2006 Bond causing them to go into default. The trustee on behalf of the bondholders is funding the District operations through bond proceeds, which has resulted in the deficiency in the Debt Service Reserve account.

Management Letter finding 14-03:

The auditor noted that the SPE was not included as a component unit of the District.

District response to the finding:

Management does not agree that the Special Purpose Entity should be included as a discretely-presented component unit on the government-wide financial statements. In summary, management feels that it would be misleading to the users of the financial statements to include the SPE as a component unit for the following reasons. The District has no ownership and/or control over the SPE and in no way can it impose its will on the SPE. In addition, the District will not benefit from the activities of the SPE. When the land held by the SPE is sold, the proceeds will be paid to the Bondholders to satisfy the Bond debt. The District will not be responsible for any deficiency between the net proceeds of the sale and the associated Bond debt.



William J. Rizzetta

Treasurer

Riverwood Estates Community Development District