

Riverwood Community Development District

ANNUAL FINANCIAL REPORT

September 30, 2018

Riverwood Community Development District

ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2018

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Berger, Toombs, Elam, Gaines & Frank

Certified Public Accountants PL

600 Citrus Avenue
Suite 200
Fort Pierce, Florida 34950

772/461-6120 // 461-1155
FAX: 772/468-9278

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 financial statements of Riverwood Community Development District (the "District") as of and for the year ended September 30, 2018, and the related notes to financial statements, which collectively comprise the District's basic financial statements 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 and the standards applicable to financial audits contained in *Government Accounting 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 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of Riverwood Community Development District, as of September 30, 2018, and the respective changes in financial position and the budgetary comparison for the General Fund and Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis 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 1, 2019 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
Certified Public Accountants PL
Fort Pierce, Florida

March 1, 2019

**Riverwood Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2018**

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) net investment in capital assets, 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, 2018**

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, 2018.

- ◆ The District's total assets exceeded total liabilities by \$15,031,849 (net position). Net investment in capital assets for Governmental Activities was \$4,716,834. Net investment in capital assets for Business-type Activities was \$7,360,363. Unrestricted net position for Governmental Activities was \$562,888 and for Business-type Activities was \$2,085,811. Restricted net position for Governmental Activities was \$305,953.
- ◆ Governmental Activities revenues totaled \$1,571,879 while Governmental Activities expenses totaled \$2,203,591. Business-type Activities revenues totaled \$2,103,184 while Business-type Activities expenses totaled \$2,470,032.

**Riverwood Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2018**

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.

Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current assets	\$ 1,233,538	\$ 927,113	\$ 2,163,149	\$ 2,438,827	\$ 3,396,687	\$ 3,365,940
Restricted assets	305,953	157,005	159,238	152,443	465,191	309,448
Capital assets	<u>8,198,248</u>	<u>6,706,555</u>	<u>7,360,363</u>	<u>7,525,370</u>	<u>15,558,611</u>	<u>14,231,925</u>
Total Assets	<u>9,737,739</u>	<u>7,790,673</u>	<u>9,682,750</u>	<u>10,116,640</u>	<u>19,420,489</u>	<u>17,907,313</u>
Deferred amount on refunding	<u>2,502</u>	-	-	-	<u>2,502</u>	-
Current liabilities	670,650	256,504	236,576	303,618	907,226	560,122
Non-current liabilities	<u>3,483,916</u>	<u>1,316,782</u>	-	-	<u>3,483,916</u>	<u>1,316,782</u>
Total Liabilities	<u>4,154,566</u>	<u>1,573,286</u>	<u>236,576</u>	<u>303,618</u>	<u>4,391,142</u>	<u>1,876,904</u>
Net Position						
Net investment in capital assets	4,716,834	5,196,161	7,360,363	7,525,370	12,077,197	12,721,531
Net position - restricted	305,953	149,964	-	-	305,953	149,964
Net position - unrestricted	<u>562,888</u>	<u>871,262</u>	<u>2,085,811</u>	<u>2,287,652</u>	<u>2,648,699</u>	<u>3,158,914</u>
Total Net Position	<u>\$ 5,585,675</u>	<u>\$ 6,217,387</u>	<u>\$ 9,446,174</u>	<u>\$ 9,813,022</u>	<u>\$ 15,031,849</u>	<u>\$ 16,030,409</u>

The increases in current assets for governmental activities is primarily due to revenues in excess of expenditures at the governmental fund statement level.

The increase in capital assets and net investment in capital assets for governmental activities is primarily the result of the new project started in the current year.

The increase in current and non-current liabilities is primarily due to contracts payable and the new long-term debt obtained to fund the new project in the current year.

The decrease in current assets for business-type activities is primarily due to cash received from customers was less than cash paid for supplies in the current year.

**Riverwood Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2018**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District (Continued)

The increase in net position – restricted and decrease in net position – unrestricted is primarily the result of the reserve requirement of the new debt.

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program Revenues						
Charges for services	\$ 1,555,619	\$ 1,285,335	\$ 2,083,003	\$ 2,048,244	\$ 3,638,622	\$ 3,333,579
General Revenues						
Investment earnings	12,767	7,425	20,181	12,311	32,948	19,736
Other revenues	3,493	2,721	-	-	3,493	2,721
Total Revenues	<u>1,571,879</u>	<u>1,295,481</u>	<u>2,103,184</u>	<u>2,060,555</u>	<u>3,675,063</u>	<u>3,356,036</u>
Expenses						
General government	106,932	95,735	-	-	106,932	95,735
Culture/recreation	479,684	233,613	-	-	479,684	233,613
Physical environment	1,399,250	924,807	-	-	1,399,250	924,807
Water and sewer	-	-	2,470,032	1,928,912	2,470,032	1,928,912
Interest on long-term debt	217,725	66,425	-	-	217,725	66,425
Total Expenses	<u>2,203,591</u>	<u>1,320,580</u>	<u>2,470,032</u>	<u>1,928,912</u>	<u>4,673,623</u>	<u>3,249,492</u>
Change in Net Position	(631,712)	(25,099)	(366,848)	131,643	(998,560)	106,544
Net Position - Beginning of Year	<u>6,217,387</u>	<u>6,242,486</u>	<u>9,813,022</u>	<u>9,681,379</u>	<u>16,030,409</u>	<u>15,923,865</u>
Net Position - End of Year	<u>\$ 5,585,675</u>	<u>\$ 6,217,387</u>	<u>\$ 9,446,174</u>	<u>\$ 9,813,022</u>	<u>\$ 15,031,849</u>	<u>\$ 16,030,409</u>

The increase in charges for services for governmental activities is the result of an increase in special assessments in the current year.

The increase in physical environment for governmental activities is primarily due to the increase in repairs and maintenance in the current year. The increase in culture recreation is the result of the reclassification of expenses and increased maintenance costs in the current year.

The increase in water and sewer for business-type activities is due to an increase in repairs and maintenance costs in the current year.

**Riverwood Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2018**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Capital Assets Activity

The following schedule provides a summary of the District's capital assets activity as of September 30, 2018.

Description	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land and improvements	\$ 2,093,166	\$ 2,093,166	\$ 330,000	\$ 330,000	\$ 2,423,166	\$ 2,423,166
Construction in progress	2,361,968	407,813	163,939	-	2,525,907	407,813
Building and improvements	2,636,704	2,543,166	1,413,584	1,413,584	4,050,288	3,956,750
Infrastructure	26,428,899	26,428,899	9,087,824	9,082,726	35,516,723	35,511,625
Equipment	131,953	108,002	10,477	7,989	142,430	115,991
Accumulated depreciation	<u>(25,454,442)</u>	<u>(24,874,491)</u>	<u>(3,645,461)</u>	<u>(3,308,929)</u>	<u>(29,099,903)</u>	<u>(28,183,420)</u>
Total Capital Assets (Net)	<u>\$ 8,198,248</u>	<u>\$ 6,706,555</u>	<u>\$ 7,360,363</u>	<u>\$ 7,525,370</u>	<u>\$ 15,558,611</u>	<u>\$ 14,231,925</u>

During the year, depreciation for governmental activities was \$612,689, \$2,125,960 was added and \$171,805 was removed from construction in progress, \$23,951 was added to equipment, \$187,076 was added and \$93,538 was removed from buildings, and \$32,738 was removed from accumulated depreciation. Business-type activities depreciation was \$336,532, \$5,098 was added to infrastructure, \$163,939 was added to construction in progress, and \$2,488 was added to equipment.

General Fund Budgetary Highlights

The budget exceeded governmental expenditures primarily due to less roadway repairs expenditures than were anticipated.

The September 30, 2018 budget was amended for an increase in capital outlay expenditures.

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. The Bonds were paid off during the year.
- ◆ In 2015, the District entered into loan agreements with a bank. The District issued the Series 2015A Note for \$675,000 and Series 2015B Note for \$550,000 to finance certain improvements. The Notes were paid off during the year with the issuance of a new note.

**Riverwood Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2018**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Debt Management (Continued)

- ◆ In March 2018, the District issued Series 2018 Special Assessment Revenue Refunding Note to pay off the Series 2015 Notes and pay for additional improvements. The Note was issued for \$7,500,000 at 3.795% interest maturing May 1, 2033. As of September 30, 2018, the District has borrowed \$3,483,916.

Economic Factors and Next Year's Budget

The District will continue with the construction project in 2018/19 and expects to borrow the remaining \$4,016,084 balance of the Series 2018 Note.

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, Inframark Infrastructure Management Services, at 210 North University Drive, Suite 702, Coral Springs, Florida 33071.

Riverwood Community Development District
STATEMENT OF NET POSITION
September 30, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and equivalents	\$ 1,278,540	\$ 1,643,432	\$ 2,921,972
Investments, at fair value	-	213,867	213,867
Accounts receivable	-	185,358	185,358
Due from other governments	14,802	-	14,802
Prepaid expenses	22,843	37,845	60,688
Internal balances	(82,647)	82,647	-
Restricted assets -			
Customer deposits	-	159,238	159,238
Total Current Assets	<u>1,233,538</u>	<u>2,322,387</u>	<u>3,555,925</u>
Non-current Assets			
Restricted assets			
Cash and investments	305,953	-	305,953
Capital assets:			
Assets not being depreciated			
Land and improvements	2,093,166	330,000	2,423,166
Construction in progress	2,361,968	163,939	2,525,907
Assets being depreciated			
Buildings and improvements	2,636,704	1,413,584	4,050,288
Infrastructure	26,428,899	9,087,824	35,516,723
Equipment	131,953	10,477	142,430
Less: accumulated depreciation	<u>(25,454,442)</u>	<u>(3,645,461)</u>	<u>(29,099,903)</u>
Total Non-current Assets	<u>8,504,201</u>	<u>7,360,363</u>	<u>15,864,564</u>
Total Assets	<u>9,737,739</u>	<u>9,682,750</u>	<u>19,420,489</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	2,502	-	2,502
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	93,060	70,558	163,618
Contracts/retainage payable	577,590	-	577,590
Unearned revenues	-	6,780	6,780
Payable from restricted assets:			
Customer deposits	-	159,238	159,238
Total Current Liabilities	<u>670,650</u>	<u>236,576</u>	<u>907,226</u>
Non-current Liabilities			
Notes payable	3,483,916	-	3,483,916
Total Liabilities	<u>4,154,566</u>	<u>236,576</u>	<u>4,391,142</u>
NET POSITION			
Net investment in capital assets	4,716,834	7,360,363	12,077,197
Restricted for debt service	305,953	-	305,953
Unrestricted	562,888	2,085,811	2,648,699
Total Net Position	<u>\$ 5,585,675</u>	<u>\$ 9,446,174</u>	<u>\$ 15,031,849</u>

See accompanying notes to financial statements

Riverwood Community Development District
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Governmental Activities					
General government	\$ (106,932)	\$ 140,665	\$ 33,733	\$ -	\$ 33,733
Culture/recreation	(479,684)	1,080,686	601,002	-	601,002
Physical environment	(1,399,250)	334,268	(1,064,982)	-	(1,064,982)
Interest on long-term debt	(217,725)	-	(217,725)	-	(217,725)
Total Governmental Activities	<u>(2,203,591)</u>	<u>1,555,619</u>	<u>(647,972)</u>	<u>-</u>	<u>(647,972)</u>
Business-type Activities					
Water and sewer utilities	<u>(2,470,032)</u>	<u>2,083,003</u>	<u>-</u>	<u>(387,029)</u>	<u>(387,029)</u>
Total Business-type Activities	<u>(2,470,032)</u>	<u>2,083,003</u>	<u>-</u>	<u>(387,029)</u>	<u>(387,029)</u>
Total Primary Government	<u>\$ (4,673,623)</u>	<u>\$ 3,638,622</u>	<u>(647,972)</u>	<u>(387,029)</u>	<u>(1,035,001)</u>
General Revenues					
Investment earnings			12,767	20,181	32,948
Other revenues			3,493	-	3,493
Total General Revenues			<u>16,260</u>	<u>20,181</u>	<u>36,441</u>
Change in Net Position			(631,712)	(366,848)	(998,560)
Net Position - October 1, 2017			<u>6,217,387</u>	<u>9,813,022</u>	<u>16,030,409</u>
Net Position - September 30, 2018			<u>\$ 5,585,675</u>	<u>\$ 9,446,174</u>	<u>\$ 15,031,849</u>

See accompanying notes to financial statements.

**Riverwood Community Development District
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2018**

	General	Special Revenue	Debt Service Series 2007A	Debt Service 2018	Capital Projects 2018	Total Governmental Funds
ASSETS						
Cash and cash equivalent	\$ 1,278,540	\$ -	\$ -	\$ -	\$ -	\$ 1,278,540
Due from other funds	-	67,296	-	-	-	67,296
Due from other governments	14,802	-	-	-	-	14,802
Prepaid expenses	20,395	2,448	-	-	-	22,843
Advance to other funds	255,182	-	-	-	-	255,182
Restricted assets						
Investments, at fair value	-	-	-	305,953	-	305,953
Total Assets	<u>\$ 1,568,919</u>	<u>\$ 69,744</u>	<u>\$ -</u>	<u>\$ 305,953</u>	<u>\$ -</u>	<u>\$ 1,944,616</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued expenses	\$ 87,746	\$ 5,314	\$ -	\$ -	\$ -	\$ 93,060
Contracts/retainage payable	-	-	-	-	577,590	577,590
Due to other funds	137,738	12,205	-	-	-	149,943
Advance from other funds	-	255,182	-	-	-	255,182
Total Liabilities	<u>225,484</u>	<u>272,701</u>	<u>-</u>	<u>-</u>	<u>577,590</u>	<u>1,075,775</u>
Fund Balances:						
Nonspendable:						
Prepaid	20,395	2,448	-	-	-	22,843
Advances	255,182	-	-	-	-	255,182
Restricted for debt service						
Assigned:						
Roadways	517,049	-	-	-	-	517,049
Ponds	83,460	-	-	-	-	83,460
Activity center	418,595	-	-	-	-	418,595
Dog park	9,899	-	-	-	-	9,899
First quarter operations	12,097	-	-	-	-	12,097
RV park	26,758	-	-	-	-	26,758
Unassigned	-	(205,405)	-	305,953	(577,590)	(477,042)
Total Fund Balances	<u>1,343,435</u>	<u>(202,957)</u>	<u>-</u>	<u>305,953</u>	<u>(577,590)</u>	<u>868,841</u>
Total Liabilities and Fund Balances	<u>\$ 1,568,919</u>	<u>\$ 69,744</u>	<u>\$ -</u>	<u>\$ 305,953</u>	<u>\$ -</u>	<u>\$ 1,944,616</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, 2018**

Total Governmental Fund Balances	\$ 868,841
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets not being depreciated, land and improvements, \$2,093,166, and construction in progress, \$2,361,968, used in governmental activities are not current financial resources and, therefore, are not reported at the governmental fund statement level.	4,455,134
Capital assets being depreciated, infrastructure, \$26,428,899; buildings and improvements, \$2,636,704, equipment, \$131,953; net of accumulated depreciation, \$(25,454,442), used in governmental activities are not current financial resources; and therefore are not reported at the governmental fund statement level.	3,743,114
Deferred amounts on refunding are not current financial uses, and therefore, are not reported at the fund level.	2,502
Long-term liabilities, notes payable, are not due and payable in the current period and; therefore, are not reported at the governmental fund statement level.	<u>(3,483,916)</u>
Net Position of Governmental Activities	<u><u>\$ 5,585,675</u></u>

See accompanying notes to financial statements.

Riverwood Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
For the Year Ended September 30, 2018

	General	Special Revenue	Debt Service Series 2007A	Debt Service 2018	Capital Projects 2018	Total Governmental Funds
Revenues						
Special assessments	\$ 1,380,777	\$ -	\$ -	\$ -	\$ -	\$ 1,380,777
Charges for services	19,576	155,266	-	-	-	174,842
Investment earnings	10,726	-	137	1,904	-	12,767
Other revenues	3,412	81	-	-	-	3,493
Total Revenues	<u>1,414,491</u>	<u>155,347</u>	<u>137</u>	<u>1,904</u>	<u>-</u>	<u>1,571,879</u>
Expenditures						
Current						
General government	106,932	-	-	-	-	106,932
Physical environment	688,613	-	-	-	-	688,613
Culture/recreation	254,107	90,920	-	-	-	345,027
Capital outlay	514,885	-	-	-	1,822,102	2,336,987
Debt service						
Principal	1,009,164	-	501,230	-	-	1,510,394
Interest	16,712	2,404	38,912	5,473	-	63,501
Other	2,677	-	-	162,449	-	165,126
Total Expenditures	<u>2,593,090</u>	<u>93,324</u>	<u>540,142</u>	<u>167,922</u>	<u>1,822,102</u>	<u>5,216,580</u>
Excess of revenues over/(under) expenditures	<u>(1,178,599)</u>	<u>62,023</u>	<u>(540,005)</u>	<u>(166,018)</u>	<u>(1,822,102)</u>	<u>(3,644,701)</u>
Other Financing Sources/(Uses)						
Transfers in	782,850	-	383,012	107,228	-	1,273,090
Transfers out	(490,228)	-	(1,371)	-	(781,491)	(1,273,090)
Issuance of refunding debt	1,093,170	-	-	364,743	2,026,003	3,483,916
Total Other Financing Sources/(Uses)	<u>1,385,792</u>	<u>-</u>	<u>381,641</u>	<u>471,971</u>	<u>1,244,512</u>	<u>3,483,916</u>
Net change in fund balances	<u>207,193</u>	<u>62,023</u>	<u>(158,364)</u>	<u>305,953</u>	<u>(577,590)</u>	<u>(160,785)</u>
Fund Balances - October 1, 2017	<u>1,136,242</u>	<u>(264,980)</u>	<u>158,364</u>	<u>-</u>	<u>-</u>	<u>1,029,626</u>
Fund Balances - September 30, 2018	<u>\$ 1,343,435</u>	<u>\$ (202,957)</u>	<u>\$ -</u>	<u>\$ 305,953</u>	<u>\$ (577,590)</u>	<u>\$ 868,841</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, 2018

Net Change in Fund Balances - Total Governmental Funds \$ (160,785)

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 that depreciation (\$(612,689)) and loss on disposal (\$(232,605)) were exceeded by capital asset additions (\$2,336,987) in the current period. 1,491,693

The deferred amount on refunding is a current use at the fund level, at the government-wide level, however, it is a deferred outflow amortized over the life of the debt. This is the net amount of the deferred outflow in the current year. 2,502

Debt proceeds provide current financial resources at the fund level, but increase long-term liabilities at the government-wide level. (3,483,916)

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. 1,510,394

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. 8,400

Change in Net Position of Governmental Activities \$ (631,712)

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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Special assessments	\$ 1,376,161	\$ 1,376,161	\$ 1,380,777	\$ 4,616
Charges for services	18,600	18,600	19,576	976
Investment earnings	4,500	4,500	10,726	6,226
Other revenues	100	100	3,412	3,312
Total Revenues	<u>1,399,361</u>	<u>1,399,361</u>	<u>1,414,491</u>	<u>15,130</u>
Expenditures				
Current				
General government	135,362	120,362	106,932	13,430
Physical environment	495,020	498,058	688,613	(190,555)
Culture/recreation	145,650	478,981	254,107	224,874
Capital outlay	-	565,175	514,885	50,290
Debt service				
Principal	400,760	1,009,027	1,009,164	(137)
Interest	222,569	19,526	16,712	2,814
Other	-	-	2,677	(2,677)
Total Expenditures	<u>1,399,361</u>	<u>2,691,129</u>	<u>2,593,090</u>	<u>98,039</u>
Excess of revenues over/(under) expenditures	<u>-</u>	<u>(1,291,768)</u>	<u>(1,178,599)</u>	<u>113,169</u>
Other Financing Sources/(Uses)				
Transfers in	-	942,046	782,850	(159,196)
Transfers out	-	(649,424)	(490,228)	159,196
Issuance of refunding debt	-	1,140,537	1,093,170	(47,367)
Total Other Financing Sources/(Uses)	<u>-</u>	<u>1,433,159</u>	<u>1,385,792</u>	<u>(47,367)</u>
Net change in fund balances	-	141,391	207,193	65,802
Fund Balance - October 1, 2017	<u>996,574</u>	<u>914,860</u>	<u>1,136,242</u>	<u>221,382</u>
Fund Balance - September 30, 2018	<u>\$ 996,574</u>	<u>\$ 1,056,251</u>	<u>\$ 1,343,435</u>	<u>\$ 287,184</u>

See accompanying notes to financial statements.

Riverwood Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL – SPECIAL REVENUE FUND
For the Year Ended September 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Charges for services	\$ 150,300	\$ 150,300	\$ 155,266	\$ 4,966
Other revenues	-	-	81	81
Total Revenues	<u>150,300</u>	<u>150,300</u>	<u>155,347</u>	<u>5,047</u>
Expenditures				
Current				
Culture/recreation	98,276	98,276	90,920	7,356
Capital outlay	18,000	18,000	-	18,000
Debt service				
Principal	21,970	21,970	-	21,970
Interest	2,404	2,404	2,404	-
Total Expenditures	<u>140,650</u>	<u>140,650</u>	<u>93,324</u>	<u>47,326</u>
Net change in fund balances	9,650	9,650	62,023	52,373
Fund Balance - October 1, 2017	<u>19,989</u>	<u>19,989</u>	<u>(264,980)</u>	<u>(284,969)</u>
Fund Balance - September 30, 2018	<u>\$ 29,639</u>	<u>\$ 29,639</u>	<u>\$ (202,957)</u>	<u>\$ (232,596)</u>

See accompanying notes to financial statements.

Riverwood Community Development District
STATEMENT OF NET POSITION –
WATER & SEWER FUND
September 30, 2018

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,643,432
Investments	213,867
Accounts receivable	185,358
Due from other funds	82,647
Prepaid expenses	37,845
Restricted Assets-	
Customer deposits	159,238
Total Current Assets	<u>2,322,387</u>

Non-current Assets

Capital Assets:

Construction in progress	163,939
Land	330,000
Buildings and improvements	1,413,584
Infrastructure	9,087,824
Equipment	10,477
Accumulated depreciation	<u>(3,645,461)</u>
Total Non-current Assets	<u>7,360,363</u>
Total Assets	<u>9,682,750</u>

LIABILITIES

Current Liabilities

Accounts payable and accrued expenses	70,558
Unearned revenues	6,780
Payable from restricted assets-	
Customer deposits	159,238
Total Current Liabilities	<u>236,576</u>

NET POSITION

Net investment in capital assets	7,360,363
Unrestricted	<u>2,085,811</u>
Total Net Position	<u>\$ 9,446,174</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, 2018

Operating Revenues	
Charges for Services	
Water and sewer charges	\$ 2,067,596
Meter and connection fees	15,407
Total Operating Revenues	<u>2,083,003</u>
 Operating Expenses	
Cost of sales and services	2,200,314
General and administrative	269,718
Total Operating Expenses	<u>2,470,032</u>
 Operating Income	 (387,029)
 Non-operating revenues/(expenses)	
Interest earnings	<u>20,181</u>
 Change in Net Position	 (366,848)
 Net Position - October 1, 2017	 <u>9,813,022</u>
 Net Position - September 30, 2018	 <u><u>\$ 9,446,174</u></u>

See accompanying notes to financial statements.

Riverwood Community Development District
STATEMENT OF CASH FLOWS –
WATER & SEWER FUND
For The Year Ended September 30, 2018

	Water & Sewer Fund
Cash Flows From Operating Activities	
Cash received from customers	\$ 2,253,737
Cash paid to suppliers	(2,201,444)
Net Cash Provided By Operating Activities	52,293
Cash Flows From Investing Activities	
Purchases of investments	(3,448)
Interest income	20,181
Net Cash Provided By Investing Activities	16,733
Cash Flows From Capital Activities	
Investment in capital assets	(171,525)
Net increase in cash and equivalents	(102,499)
Cash and equivalents, beginning of year	1,905,169
Cash and equivalents, end of year	\$ 1,802,670
Reconciliation of Net Operating Income to Net Cash Provided By Operating Activities	
Cash Flows From Operating Activities:	
Operating income	\$ (387,029)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	336,532
Changes in assets and liabilities:	
Decrease in due from other funds	155,805
Decrease in accounts receivable	7,231
Decrease in prepaid expenses	6,796
Decrease in accounts payable	(74,740)
Increase in customer deposits	6,795
Increase in unearned revenues	903
Total Adjustments	439,322
Net Cash Provided By Operating Activities	\$ 52,293

See accompanying notes to financial statements.

Riverwood Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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.

Special Revenue Fund

The special revenue fund is used to account for the activity of the Beach Club maintained by the District.

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. This fund has been discontinued as the debt was paid.

Debt Service Fund – 2018

The debt service fund is used to account for the accumulation of resources for the annual payment of principal and interest on the 2018 note payable.

Capital Projects Fund – 2018

The capital projects fund is used to account for the construction and related costs for the 2018 capital projects.

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.

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, 2018

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 Net Position

Certain net position of the District are classified as restricted 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 net position, 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, 2018**

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. Budgets

Budgets are prepared and adopted after public hearings for the governmental funds, pursuant to Chapter 190, 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.

f. Deferred Outflows of Resources

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

Riverwood Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

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, \$868,841, differs from “net position” of governmental activities, \$5,585,675, 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	\$ 2,093,166
Construction in progress	2,361,968
Buildings and improvements	2,636,704
Infrastructure	26,428,899
Equipment	131,953
Accumulated depreciation	<u>(25,454,442)</u>
Total	<u>\$ 8,198,248</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.

Notes payable	<u>\$ (3,483,916)</u>
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Deferred amount on refunding

Deferred amount on refunding is an other debt service cost at the fund level. It is recognized as a deferred outflow of resources at the government-wide level and amortized over the life of the associated note payable.

Deferred amount on refunding	<u>\$ 2,502</u>
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Riverwood Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

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

The “net change in fund balances” for government funds, \$(160,785), differs from the “change in net position” for governmental activities, \$(631,712), 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 charged for the year.

Depreciation	\$ (612,689)
Loss on disposal	(232,605)
Capital outlay	<u>2,336,987</u>
Total	<u>\$ (1,491,693)</u>

Long-term debt transactions

The issuance of long-term debt and repayments of principal are reported as other financing sources and expenditures in the governmental funds and, thus, have the effect of increasing fund balance because current financial resources have been used.

Issuance of note payable	\$ (3,483,916)
Note principal payments	1,009,164
Bond principal payments	<u>501,230</u>
Total	<u>\$ (1,973,522)</u>

The deferred amount on refunding is recognized as a current use at the fund level, however, at the government-wide level, it is a deferred outflow amortized over the life of the debt.

Deferred amount on refunding, net	<u>\$ 2,502</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	<u>\$ 8,400</u>
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Riverwood Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

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, 2018, the District's bank balance was \$3,352,138 and the carrying value was \$3,081,210. Exposure to custodial credit risk was as follows. The District maintains all deposits and certificates of deposit 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.

As of September 30, 2018, the District had the following investments and maturities:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificates of Deposit	1/2019	\$ 213,687
First American Government Obligation Fund	26 days*	<u>305,953</u>
Total		<u>\$ 519,640</u>

*Maturity is a weighed average maturity.

The District categorizes its fair value measurements within the fair value hierarchy recently established by generally accepted accounting principles. The fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The District uses a market approach in measuring fair value that uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities, or groups of assets and liabilities.

Assets or liabilities are classified into one of three levels. Level 1 is the most reliable and is based on quoted price for identical assets, or liabilities, in an active market. Level 2 uses significant other observable inputs when obtaining quoted prices for identical or similar assets, or liabilities, in markets that are not active. Level 3 is the least reliable and uses significant unobservable inputs that use the best information available under the circumstances, which includes the District's own data in measuring unobservable inputs.

Based on the criteria in the preceding paragraph, the investments in Florida American Government Obligation is a Level 1 asset.

Riverwood Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE C – CASH AND INVESTMENTS (CONTINUED)

Investments

The District's investment policy allows management to invest funds in investments permitted under Section 218.415, Florida Statutes.

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.

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.

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 41% of the District's investments. The investments in First American Government Obligation Fund represent 59% of the District's investments.

The types of deposits and investments and their level of risk exposure as of September 30, 2018 were typical. The First American Government Obligations Fund investments were rated AAAM by Standard & Poor's.

NOTE D – SPECIAL ASSESSMENT REVENUES

Assessment revenues recognized for the 2017-2018 fiscal year were levied in October 2017. 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, 2018

NOTE E – INTERFUND BALANCES

Interfund balances at September 30, 2018, consisted of the following:

Receivable Fund	Payable Fund		Total
	General Fund	Special Revenue Fund	
General Fund	\$ -	\$ 255,182	\$ 255,182
Special Revenue Fund	67,296	-	67,296
Enterprise Fund	70,442	12,205	82,647
Total	\$ 137,738	\$ 267,387	\$ 405,125

Interfund balances between the General Fund and the Special Revenue are due to an internal advance from the General Fund to the Special Revenue for the Beach Club. Interfund balances between other funds are due to revenues and expenditures that are received or paid by one fund and are allocated to multiple funds.

Interfund transfers for the year-ended September 30, 2018, consisted of the following:

Transfers In	Transfers Out		
	General Fund	Debt Service Fund Series 2007A	Capital Projects Fund Series 2018
General Fund	\$ -	\$ 1,359	\$ 781,491
Debt Service Fund Series 2007A	383,012	-	-
Debt Service Fund 2018	107,216	12	-
Total	\$ 490,228	\$ 1,371	\$ 781,491

Interfund transfer was made from Capital Projects Fund Series 2018 to the General Fund to refund the capital expenditures paid by the General Fund. Transfers from the General Fund to Debt Service Funds Series 2007A and 2018 related to assessments collected and allocated for use by Debt Service Funds Series 2007A and 2018.

Riverwood Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE F – CAPITAL ASSETS

Capital Asset activity for the year ended September 30, 2018 was as follows:

	Balance October 1, 2017	Additions	Deletions	Balance September 30, 2018
Governmental activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 2,093,166	\$ -	\$ -	\$ 2,093,166
Construction in progress	407,813	2,125,960	(171,805)	2,361,968
Total Capital Assets, Not Depreciated	<u>2,500,979</u>	<u>2,125,960</u>	<u>(171,805)</u>	<u>4,455,134</u>
Capital assets, being depreciated:				
Buildings	2,543,166	187,076	(93,538)	2,636,704
Equipment	108,002	23,951	-	131,953
Infrastructure - water control	11,042,926	-	-	11,042,926
Infrastructure - roadways and other improvements	15,385,973	-	-	15,385,973
Total Capital Assets, Being Depreciated	<u>29,080,067</u>	<u>211,027</u>	<u>(93,538)</u>	<u>29,197,556</u>
Less accumulated depreciation for:				
Buildings	(785,736)	(64,829)	32,738	(817,827)
Equipment	(29,214)	(9,028)	-	(38,242)
Infrastructure - water control	(10,203,663)	(441,717)	-	(10,645,380)
Infrastructure - roadways and other improvements	(13,855,878)	(97,115)	-	(13,952,993)
Total Accumulated Depreciation	<u>(24,874,491)</u>	<u>(612,689)</u>	<u>32,738</u>	<u>(25,454,442)</u>
Total Capital Assets Depreciated, Net	<u>4,205,576</u>	<u>(401,662)</u>	<u>(60,800)</u>	<u>3,743,114</u>
Governmental Activities Capital Assets	<u>\$ 6,706,555</u>	<u>\$ 1,724,298</u>	<u>\$ (232,605)</u>	<u>\$ 8,198,248</u>

Depreciation of \$612,689 was charged to culture/recreation (\$73,857) and physical environment (\$538,832).

Riverwood Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE F – CAPITAL ASSETS (CONTINUED)

Capital Asset activity for the year ended September 30, 2018 was as follows:

	Balance October 1, 2017	Additions	Deletions	Balance September 30, 2018
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 330,000	\$ -	\$ -	\$ 330,000
Construction in progress	-	163,939	-	163,939
Total Capital Assets Not Depreciated	<u>330,000</u>	<u>163,939</u>	<u>-</u>	<u>493,939</u>
Capital assets, being depreciated:				
Buildings	1,413,584	-	-	1,413,584
Equipment	7,989	2,488	-	10,477
Infrastructure	9,082,726	5,098	-	9,087,824
Total Capital Assets, Being Depreciated	<u>10,504,299</u>	<u>7,586</u>	<u>-</u>	<u>10,511,885</u>
Less accumulated depreciation for:				
Buildings	(653,177)	(35,340)	-	(688,517)
Equipment	(2,853)	(1,184)	-	(4,037)
Infrastructure	(2,652,899)	(300,008)	-	(2,952,907)
Total Accumulated Depreciation	<u>(3,308,929)</u>	<u>(336,532)</u>	<u>-</u>	<u>(3,645,461)</u>
Total Capital Assets Depreciated, Net	<u>7,195,370</u>	<u>(328,946)</u>	<u>-</u>	<u>6,866,424</u>
Business-type Activities Capital Assets	<u>\$ 7,525,370</u>	<u>\$ (165,007)</u>	<u>\$ -</u>	<u>\$ 7,360,363</u>

Depreciation expense of \$336,532 was charged to cost of sales and services.

NOTE G – LONG-TERM DEBT

The following is a summary of activity in the long-term debt of the District for the year ended September 30, 2018:

Governmental Activities

Long-term debt at October 1, 2017	\$ 1,510,394
Debt proceeds	3,483,916
Principal payments	<u>(1,510,394)</u>
Long-term debt at September 30, 2018	<u>\$ 3,483,916</u>

Riverwood Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE G – LONG-TERM DEBT (CONTINUED)

Long-term debt is comprised of the following:

Revenue Refunding Note

The District issued Series 2018 Special Assessment Revenue Refunding Note on March 22, 2018, maturing May 2033 at an interest rate of 3.795% payable on May 1 and November 1 beginning May 1, 2018; collateralized by the pledged revenues of the special assessment levied against the benefited property owners.

\$ 3,483,916

On March 22, 2018, the District issued the Series 2018 Special Assessment Revenue Refunding Note (Series 2018 Note). The Series 2018 Note was issued to finance additional construction within the District and to refund the Series 2015A Note and Series 2015B Note. The Series 2018 Note will total \$7,500,000 after all note proceeds are used. The Series 2018 Note bears interest at 3.795% and mature on May 1, 2033. Interest is due semi-annually beginning May 1, 2018 and principal is due annually beginning May 1, 2020. As of September 30, 2018, the District has drawn \$3,483,916 on the note, and the balance remaining of \$4,016,084 will be used for construction within the District. The annual debt service requirements are unknown until all note proceeds are used.

The current refunding of the Series 2015A and 2015B Notes resulted in a deferred amount on refunding of \$2,677. The deferred amount on refunding is reported as a deferred outflow of resources on the Statement of Net Position. As a result of this transaction, the District increased its aggregate debt payment for the Series 2018 Note by \$173,909, over the next 15 years and realized an economic gain of approximately \$24,993.

During the current year, the District paid off the Series 2007A Special Assessment Revenue Refunding Bonds with legally available funds.

Riverwood Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE G – LONG-TERM DEBT (CONTINUED)

Summary of Significant Note Resolution Terms and Covenants

The Trust Indenture has certain restrictions and requirements relating principally to the use of proceeds and the procedures to be followed by the District on assessments to property owners

The District 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 Trust Indenture.

Depository Funds

The note establishes 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 Series 2018 Reserve Account is funded from proceeds of the Series 2018 Note in an amount equal to twenty percent of the maximum annual debt service. Monies held in the reserve account will be used only for the purposes established by the Trust Indenture. As of September 30, 2018, the District had a reserve balance of \$131,148. The District has not drawn all note proceeds; therefore, the required reserve balance has not been determined.

NOTE H – 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.



Berger, Toombs, Elam,
Gaines & Frank

Certified Public Accountants PL

600 Citrus Avenue
Suite 200
Fort Pierce, Florida 34950

772/461-6120 // 461-1155
FAX: 772/468-9278

**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, 2018, and the related notes to the financial statements, and have issued our report thereon dated March 1, 2019.

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.

To the Board of Supervisors
Riverwood Community Development District

Compliance and Other Matters

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

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 1, 2019



Berger, Toombs, Elam, Gaines & Frank

Certified Public Accountants PL

600 Citrus Avenue
Suite 200
Fort Pierce, Florida 34950

772/461-6120 // 461-1155
FAX: 772/468-9278

MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the Riverwood Community Development District as of and for the year ended September 30, 2018, and have issued our report thereon dated March 1, 2019.

Auditor's Responsibility

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.

Other Reporting Requirements

We have issued our 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* and our Independent Auditor's Report on an examination conducted in accordance with AICPA Professionals Standards, Section AT-C Section 315 regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in that report, which is dated March 1, 2019, 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 financial audit report. There were no findings or recommendations made in the preceding financial audit report.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and communicate the results of our determination as to whether or not Riverwood Community Development District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify of the specific conditions met. In connection with our audit, we determined that the Riverwood Community Development District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Fort Pierce / Stuart

To the Board of Supervisors
Riverwood Community Development District

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial conditions assessment procedures as of September 30, 2018 for Riverwood Community Development District. It is management's responsibility to monitor the Riverwood Community Development District'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.

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

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 note 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, Federal and other granting agencies, 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.

*Berger Toombs Elam
Gaines & Frank*

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

March 1, 2019



Berger, Toombs, Elam,
Gaines & Frank

Certified Public Accountants PL

600 Citrus Avenue
Suite 200
Fort Pierce, Florida 34950

772/461-6120 // 461-1155
FAX: 772/468-9278

**INDEPENDENT ACCOUNTANT'S REPORT/COMPLIANCE
WITH SECTION 218.415, FLORIDA STATUTES**

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

We have examined Riverwood Community Development District's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2018. Management is responsible for Riverwood Community Development District's compliance with those requirements. Our responsibility is to express an opinion on Riverwood Community Development 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 Riverwood Community Development 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 Riverwood Community Development District's compliance with the specified requirements.

In our opinion, Riverwood Community Development District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2018.

*Berger Toombs Elam
Gaines & Frank*

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

March 1, 2019