

**Riverwood Estates Community  
Development District**

**ANNUAL FINANCIAL REPORT**

**September 30, 2022**

**Riverwood Estates Community Development District**

**ANNUAL FINANCIAL REPORT**

**September 30, 2022**

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## REPORT OF INDEPENDENT AUDITORS

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

### Report on Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of the governmental activities and each major fund of Riverwood Estates Community Development District (the "District"), as of and for the year ended September 30, 2022, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### *Adverse Opinion*

In our opinion, because of the significance of the matter discussed in the Basis for Opinion, the financial statements referred to above do not present fairly, the financial position of the discretely presented component unit of the District as of September 30, 2022 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.

#### *Qualified Opinion*

In our opinion, except for the matter described in the Basis for Opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining fund information of Riverwood Estates Community Development District as of September 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Unmodified Opinion*

In our opinion, the financial statements referred to previously present fairly in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of September 30, 2022, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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To the Board of Supervisors  
Riverwood Estates Community Development District

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits.

The District did not include the financial statements for the legally separate component unit. Accounting principles generally accepted in the United States of America (GAAP) require the financial statements of the component unit be reported with the financial statements of the District's primary government unless the District also issues financial statements for the reporting entity that include the financial data for its component unit. The District has not issued such financial statements. Because of this departure from GAAP the assets, liabilities, net position, revenues and expenses in the accompanying financial statements do not include the activity of the discretely presented component unit.

### ***Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year beyond the financial statement date, including currently known information that may raise substantial doubt thereafter.

### ***Auditor's Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.



To the Board of Supervisors  
Riverwood Estates Community Development District

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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.



Berger, Toombs, Elam,  
Gaines & Frank  
Certified Public Accountants PL

To the Board of Supervisors  
Riverwood Estates Community Development District

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated April 4, 2023 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 Estates Community Development District's internal control over financial reporting and compliance.

*Berger Toombs Elam  
Gaines + Frank*

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

April 4, 2023

**Riverwood Estates Community Development District**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended September 30, 2022**

Management's discussion and analysis of Riverwood Estates 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 components. Emphasis is placed on the net position of governmental activities and the change in net position. Governmental activities are primarily supported by special assessments.

The **statement of net position** presents information on all assets and liabilities of the District, with the difference between assets and liabilities reported as net position. Net position is reported in three components: 1) net investment in capital assets, 2) restricted, and 3) unrestricted. Assets, liabilities, and net position are reported for all Governmental activities.

The **statement of activities** presents information on all revenues and expenses of the District and the change in net position. Expenses are reported by major function and program revenues relating to those functions are reported, 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. Governmental activities financed by the District include general government and debt service.

*Fund financial statements* present financial information for governmental funds. These statements provide financial information for the major 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.

**Riverwood Estates Community Development District**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended September 30, 2022**

**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. *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.

The *government-wide financial statements* and the *fund financial statements* provide different pictures of the District. The *government-wide financial statements* provide an overall picture of the District's financial standing. These statements are comparable to private-sector companies and give a good understanding of the District's overall financial health and how the District paid for the various activities, or functions, provided by the District. All assets of the District are reported in the **statement of net position**. All liabilities, including principal outstanding on bonds, are included. The **statement of activities** includes depreciation on all long lived assets of the District, but transactions between the different functions of the District have been eliminated in order to avoid "doubling up" the revenues and expenses. The *fund financial statements* provide a picture of the major funds of the District. In the case of governmental activities, outlays for long-lived assets are reported as expenditures and long-term liabilities, such as general obligation bonds, are not included in the fund financial statements. To provide a link from the *fund financial statements* to the *government-wide financial statements*, reconciliations are provided from the *fund financial statements* to the *government-wide financial statements*.

*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, 2022.

- ◆ The District's total liabilities exceeded total assets by \$(13,913,616) (net position). Net investment in capital assets amounted to \$11,749,736. Unrestricted net position totaled \$(25,663,352).
- ◆ Governmental activities revenues totaled \$28,936 while governmental activities expenses totaled \$771,442.

**Riverwood Estates Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2022**

**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**

	<b>Governmental Activities</b>	
	<b>2022</b>	<b>2021</b>
Current assets	\$ 10,243	\$ 12,000
Restricted assets	6,845	6,811
Capital assets	21,569,725	21,569,725
Total Assets	<u>21,586,813</u>	<u>21,588,536</u>
Current liabilities	26,127,229	24,947,631
Non-current liabilities	9,373,200	9,812,015
Total Liabilities	<u>35,500,429</u>	<u>34,759,646</u>
Net Position		
Net investment in capital assets	11,749,736	11,349,466
Unrestricted	(25,663,352)	(24,520,576)
Total Net Position	<u>\$ (13,913,616)</u>	<u>\$ (13,171,110)</u>

The decrease in unrestricted net position and the increase in current liabilities is the result of the current year debt service requirements that were not funded.

The decrease in noncurrent liabilities is related to the current year principal payment which was reclassified as matured bonds payable.

The increase in net investment in capital assets is the result of the reduction in long term liabilities in the current year.

**Riverwood Estates Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2022**

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

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

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

**Change In Net Position**

	<b>Governmental Activities</b>	
	<b>2022</b>	<b>2021</b>
Program Revenues		
Operating grants and contributions	\$ 28,902	\$ 26,854
General Revenues		
Investment earnings	34	2
Total Revenues	<u>28,936</u>	<u>26,856</u>
Expenses		
General government	28,902	26,854
Interest and other charges	<u>742,540</u>	<u>742,986</u>
Total Expenses	<u>771,442</u>	<u>769,840</u>
Change in Net Position	(742,506)	(742,984)
Net Position - Beginning of Year	<u>(13,171,110)</u>	<u>(12,428,126)</u>
Net Position - End of Year	<u><u>\$ (13,913,616)</u></u>	<u><u>\$ (13,171,110)</u></u>

**Riverwood Estates Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2022**

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

**Capital Assets Activity**

The following schedule provides a summary of the District's capital assets as of September 30, 2022 and 2021:

<u>Description</u>	<u>Governmental Activities</u>	
	<u>2022</u>	<u>2021</u>
Land	\$ 3,383,712	\$ 3,383,712
Construction in progress	18,186,013	18,186,013
Governmental Activities Capital Assets	<u>\$ 21,569,725</u>	<u>\$ 21,569,725</u>

There was no activity for the current year.

**General Fund Budgetary Highlights**

Actual governmental expenditures were less than budgeted amounts primarily due to lower website related expenditures than were anticipated.

The budget was amended in the current year for contingency expenditures that were not originally anticipated.

**Debt Management**

Governmental Activities debt includes the following:

- ◆ On December 1, 2006, the District issued \$23,000,000 of Special Assessment 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 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.
- ◆ Series 2006A bonds mature May 1, 2037, and principal is payable annually commencing May 1, 2008 through May 1, 2037. The unmatured balance outstanding at September 30, 2022 for Bond Series 2006A was \$9,830,000.
- ◆ Series 2006B bonds matured on May 1, 2013. The unpaid balance, \$8,775,000, is included as matured bonds payable.
- ◆ More detailed information about the District's debt is presented in the accompanying notes to the financial statements.

**Riverwood Estates Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2022**

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

**Economic Factors and Next Year's Budget**

Riverwood Estates Community Development District does not expect any changes in any economic factors to have any significant effect on the financial position or results of operations of the District in fiscal year 2023. Riverwood Estates Community Development District has established land owner contributions to meet the 2022/23 fiscal year operating requirements but no assessments were considered to meet debt service requirements.

**Request for Information**

The financial report is designed to provide a general overview of Riverwood Estates Community Development District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Riverwood Estates Community Development District's Accounting Department at 3434 Colwell Avenue, Suite 200, Tampa, Florida 33614.

**Riverwood Estates Community Development District**  
**STATEMENT OF NET POSITION**  
**September 30, 2022**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets	
Cash	\$ 8,493
Prepaid expenses	1,750
Total Current Assets	<u>10,243</u>
Non-Current Assets	
Restricted Assets	
Investments	6,845
Capital Assets, Not Being Depreciated	
Land	3,383,712
Construction in progress	18,186,013
Total Non-Current Assets	<u>21,576,570</u>
Total Assets	<u>21,586,813</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	442
Unearned revenues	9,801
Bonds payable - current	440,000
Accrued interest payable	219,127
Matured interest payable	12,482,859
Matured bonds payable	12,975,000
Total Current Liabilities	<u>26,127,229</u>
Non-Current Liabilities	
Bonds payable, net	9,373,200
Total Liabilities	<u>35,500,429</u>
<b>NET POSITION</b>	
Net investment in capital assets	11,749,736
Unrestricted	<u>(25,663,352)</u>
Total Net Position	<u><u>\$ (13,913,616)</u></u>

See accompanying notes to financial statements.

**Riverwood Estates Community Development District**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2022**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Operating Grants and Contributions</b>	<b>Net (Expenses) Revenues and Changes in Net Position</b>
			<b>Governmental Activities</b>
Governmental Activities			
General government	\$ (28,902)	\$ 28,902	\$ -
Interest and other charges	(742,540)	-	(742,540)
Total Governmental Activities	<u>\$ (771,442)</u>	<u>\$ 28,902</u>	<u>(742,540)</u>
<b>General Revenues</b>			
Investment income			<u>34</u>
Changes in Net Position			(742,506)
Net Position - Beginning of Year			<u>(13,171,110)</u>
Net Position - End of Year			<u>\$ (13,913,616)</u>

**Riverwood Estates Community Development District**  
**BALANCE SHEET –**  
**GOVERNMENTAL FUNDS**  
**September 30, 2022**

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash	\$ 8,493	\$ -	\$ 8,493
Prepaid expenses	1,750	-	1,750
Restricted assets			
Investments, at fair value	-	6,845	6,845
Total Assets	<u>\$ 10,243</u>	<u>\$ 6,845</u>	<u>\$ 17,088</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 442	\$ -	\$ 442
Unearned revenues	9,801	-	9,801
Matured bonds payable	-	12,975,000	12,975,000
Matured interest payable	-	12,482,859	12,482,859
Total Liabilities	<u>10,243</u>	<u>25,457,859</u>	<u>25,468,102</u>
FUND BALANCES			
Nonspendable - prepaid expenses	1,750	-	1,750
Unassigned	(1,750)	(25,451,014)	(25,452,764)
Total Fund Balances	<u>-</u>	<u>(25,451,014)</u>	<u>(25,451,014)</u>
Total Liabilities and Fund Balances	<u>\$ 10,243</u>	<u>\$ 6,845</u>	<u>\$ 17,088</u>

See accompanying notes to financial statements.

**Riverwood Estates Community Development District**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**September 30, 2022**

Total Governmental Fund Balances	\$ (25,451,014)
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets not being depreciated, construction in progress, \$18,186,013, and land, \$3,383,712, used in governmental activities are not current financial resources, and therefore, are not reported at the fund level.	21,569,725
Long-term liabilities, bonds payable, \$(9,830,000), net of bond discount, \$16,800, are not due and payable in the current period, and therefore are not reported at the fund level.	(9,813,200)
Accrued interest expense for long-term debt is not a current financial use, and therefore, is not reported at the fund level.	<u>(219,127)</u>
Net Position of Governmental Activities	<u><u>\$ (13,913,616)</u></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, 2022**

	General	Debt Service	Total Governmental Funds
Revenues			
SPE contributions	\$ 28,902	\$ -	\$ 28,902
Investment income	-	34	34
Total Revenues	<u>28,902</u>	<u>34</u>	<u>28,936</u>
Expenditures			
Current			
General government	28,902	-	28,902
Debt service			
Principal	-	415,000	415,000
Interest	<u>-</u>	<u>750,606</u>	<u>750,606</u>
Total Expenditures	<u>28,902</u>	<u>1,165,606</u>	<u>1,194,508</u>
Net change in fund balances	-	(1,165,572)	(1,165,572)
Fund Balances - Beginning of Year	<u>-</u>	<u>(24,285,442)</u>	<u>(24,285,442)</u>
Fund Balances - End of Year	<u><u>\$ -</u></u>	<u><u>\$ (25,451,014)</u></u>	<u><u>\$ (25,451,014)</u></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, 2022**

Net Change in Fund Balances - Total Governmental Funds	\$ (1,165,572)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Repayments of bond principal are expenditures in the governmental funds statements, but the repayment reduces long-term liabilities in the Statement of Net Position.	415,000
The amortization of bond discount is an expense in the Statement of Activities while the bond discount was listed as an other financing use in the year financing was received.	(1,185)
In the Statement of Activities, interest is accrued on outstanding bonds; whereas at the governmental funds level, interest expenditures are reported when due. This is the change in accrued interest in the current period.	<u>9,251</u>
Change in Net Position of Governmental Activities	<u><u>\$ (742,506)</u></u>

See accompanying notes to financial statements.

**Riverwood Estates Community Development District**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND**  
**For the Year Ended September 30, 2022**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
Revenues				
SPE Contributions	\$ 27,951	\$ 29,951	\$ 28,902	\$ (1,049)
Expenditures				
Current				
General government	27,951	29,951	28,902	1,049
Net Change in Fund Balances	-	-	-	-
Fund Balances - Beginning of Year	-	-	-	-
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

**Riverwood Estates Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2022**

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

The financial statements of 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 on February 14, 2006, pursuant to the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes, as amended (the "Act"), by Pasco County Ordinance #06-01 as a Community Development District. The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of the infrastructure necessary for community development within its jurisdiction. The District is authorized to issue bonds for the purpose, among others, of financing, funding, planning, establishing, acquiring, constructing district roads, landscaping, and other basic infrastructure projects within or outside the boundaries of the Riverwood Estates Community Development District. The District is governed by a five member Board of Supervisors who are elected on an at large basis by landowners of the District. The District operates within the criteria established by Chapter 190, Florida Statutes.

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 ("Holdings"), 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. On February 18, 2015, Rizzetta-Riverwood Properties, LLC the sole Managing Member of the SPE for consideration transferred all its membership interest to Riverwood Estates Management LLC.

As required by GAAP, these financial statements present the Riverwood Estates 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 including, but 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 one component unit. The component unit is Holdings. Holdings did not provide the District with any financial activity for the current year, and therefore, the component unit is not reflected in the financial statements as a stand-alone component unit.

**Riverwood Estates Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2022**

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

**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 statement

**a. Government-wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Government-wide financial statements report all non-fiduciary information about the reporting government as a whole. These statements include all the governmental activities of the primary government. The effect of interfund activity has been removed from these statements.

Governmental activities are supported by special assessments and interest. 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 financing 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.

**Riverwood Estates Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2022**

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

**2. Measurement Focus and Basis of Accounting (Continued)**

**b. Fund Financial Statements (Continued)**

**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.

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.

**Riverwood Estates Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2022**

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

**2. Measurement Focus and Basis of Accounting (Continued)**

**b. Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collected within the current period or soon 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 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 financing 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.

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 are expended, rather than as fund assets. The proceeds of long-term debt are recorded as another financing source rather than as a fund liability.

Debt service expenditures are recorded only when payment is due.

**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.

**Riverwood Estates Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2022**

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

**3. Basis of Presentation (Continued)**

**a. Governmental Major Funds (Continued)**

Debt Service Fund – Accounts for debt service requirements to retire the special assessment bonds which were used to finance the construction of District infrastructure improvements. The bonds are secured by a first lien on and pledge of the special assessment revenues and pledged funds.

**b. Non-current Governmental Assets/Liabilities**

GASB Statement 34 requires that non-current governmental assets, such as land and improvements, and non-current governmental liabilities, such as general obligation bonds and due to developer be reported in the governmental activities column in the government-wide Statement of Net Position.

**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.

**Riverwood Estates Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2022**

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

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

**a. Cash and Investments (Continued)**

Cash equivalents include time deposits and all highly liquid debt instruments with original maturities of three months or less and held in a qualified public depository as defined by Section 280.02, Florida Statutes.

**b. Restricted Net Position**

Certain net position of the District is 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.

**c. Capital Assets**

Capital assets, which include land and construction in progress, are reported in the governmental 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 two years. 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.

**d. Unamortized Bond Discount**

Bond discounts are presented on the government-wide financial statements. The costs are amortized over the life of the bonds using the straight-line method of accounting. For financial reporting, the unamortized bond discount is netted against the applicable long-term debt.

**Riverwood Estates Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2022**

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

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

**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.

**NOTE B – 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; however, they follow the provisions of Chapter 280, Florida Statutes regarding deposits and investments. Exposure to custodial credit risk was as follows. As of September 30, 2022, the District's bank balance and the carrying value were \$8,493. As of September 30, 2022, the District had deposits at a financial institution fully insured by FDIC. The District maintains all deposits in a qualified public depository in accordance with the provisions of Chapter 280, Florida Statutes, which means that all deposits are fully insured by Federal Depositors Insurance or collateralized under Chapter 280, Florida Statutes.

As of September 30, 2022, the District had the following investments and maturities:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Goldman Sachs Financial Square Govt Fund	27 days*	<u>\$ 6,845</u>

\* Weighted 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.

**Riverwood Estates Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2022**

**NOTE B – CASH AND INVESTMENTS (CONTINUED)**

Assets or liabilities are classified into one of three levels. Level 1 is the most reliable and is based on quoted prices 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.

The investment listed above is considered a level 1 asset.

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 money markets 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. As of September 30, 2022 the District's investment in Goldman Sachs Financial Square Govt Fund was rated AAAm by Standard and Poor's.

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one fund. The investments in Goldman Sachs Financial Square Govt Fund are 100% of the District's total investments.

The types of deposits and investments and their level of risk exposure as of September 30, 2022 were typical of these items during the fiscal year then ended. The District considers any decline in fair value for certain investments to be temporary.

**NOTE C – CAPITAL ASSETS**

Capital Asset activity for the year ended September 30, 2022 was as follows:

	Balance October 1, 2021	Additions	Disposals	Balance September 30, 2022
<b><u>Governmental Activities:</u></b>				
Capital assets, not being depreciated:				
Construction in Progress	\$ 18,186,013	\$ -	\$ -	\$ 18,186,013
Land	3,383,712	-	-	3,383,712
Governmental Activities Capital Assets	<u>\$ 21,569,725</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,569,725</u>

**Riverwood Estates Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2022**

**NOTE D – LONG-TERM DEBT**

**Special Assessment Bonds – Series 2006**

On December 1, 2006, the District issued \$23,000,000 of Special Assessment 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 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.

The Series 2006A bonds mature May 1, 2037, and principal is payable annually commencing May 1, 2008 through May 1, 2037. 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 balance outstanding at September 30, 2022 for Bond Series 2006A was \$9,830,000.

Series 2006B bonds matured on May 1, 2013. The unpaid balance is reflected as matured bonds payable. The Series 2006B Bonds are subject to optional redemption. All Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determine by the Bond Indenture.

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, 2022.

Total principal remaining on the Series 2006A bonds at September 30, 2022 is \$9,830,000. Matured interest and principal payable at September 30, 2022 is \$25,457,859, representing amounts owed for fiscal years 2009 to 2022. Interest of \$750,606 and principal of \$415,000 were due in the current year, but were not paid.

Changes in long-term liability activity for the fiscal year ended September 30, 2022 were as follows:

	October 1, 2021	Additions	Reductions	September 30, 2022
Governmental Activities				
Series 2006	\$ 10,245,000	\$ -	\$ (415,000)	\$ 9,830,000
Less: bond discount	<u>(17,985)</u>	<u>-</u>	<u>1,185</u>	<u>(16,800)</u>
Totals	<u>\$ 10,227,015</u>	<u>\$ -</u>	<u>\$ (413,815)</u>	<u>\$ 9,813,200</u>
		Bonds Payable, Net	<u>\$ 9,813,200</u>	

**Riverwood Estates Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2022**

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

**Special Assessment Bonds – Series 2006 (Continued)**

Long-term debt is comprised of the following:

Special Assessment Bonds Series 2006

\$23,000,000 Series 2006 Special Assessment Bonds, interest ranging from 5% to 5.35%, maturing May 1, 2037, payable on May 1 and November 1; collateralized by the pledged revenues of special assessments levied against the benefited property owners. The amount due within one year is \$440,000.

	\$ 9,830,000
Bond discount, net	<u>(16,800)</u>
Bonds Payable, Net	<u><u>\$ 9,813,200</u></u>

The annual requirements to amortize the principal and interest of bonded debt outstanding as of September 30, 2022 are as follows:

Year Ending September 30,	Principal	Interest	Total
2023	\$ 440,000	\$ 525,905	\$ 965,905
2024	460,000	502,365	962,365
2025	490,000	477,755	967,755
2026	515,000	451,540	966,540
2027	545,000	423,988	968,988
2028-2032	3,200,000	1,649,940	4,849,940
2033-2037	4,180,000	694,430	4,874,430
Totals	<u><u>\$ 9,830,000</u></u>	<u><u>\$ 4,725,923</u></u>	<u><u>\$ 14,555,923</u></u>

Significant Bond Resolution Terms and Covenants

The Bond Indenture established certain amounts be maintained in a reserve account. In addition, 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 agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District did not levy special assessments to meet the debt service requirement in the current year as these amounts are currently held in abeyance.

The bond resolution 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:

**Riverwood Estates Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2022**

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

**Special Assessment Bonds – Series 2006 (Continued)**

Reserve Funds – Trustee shall calculate the Debt Service Reserve requirement for the Series 2006A Bonds so that the amount required to be on deposit as reserve is equal to 50 percent of the maximum annual debt service requirement deemed outstanding principal amount of the Series 2006A bonds. Monies held in the reserve accounts will be used only for the purposes established in the Trust Indenture.

	Special Assessment Bonds	
	Reserve Balance	Reserve Requirement
Series 2006 Special Assessment Bonds	<u>\$ 6,789</u>	<u>\$ 941,413</u>

**NOTE E – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The District has obtained commercial insurance from independent third parties to mitigate the cost of these risks, coverage may not extend to all situations. The District has not filed any claims under this commercial coverage during the last three years.



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## **INDEPENDENT AUDITORS' 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, 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, as listed in the table of contents, of Riverwood Estates Community Development District, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued our report thereon dated April 4, 2023.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Riverwood Estates Community Development District's internal control over financial reporting (internal control) as a basis for designing 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 Estates Community Development District's internal control. Accordingly, we do not express an opinion on the effectiveness of Riverwood Estates Community Development District's internal control.

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 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 or significant deficiencies may exist that have not been identified.



To the Board of Supervisors  
Riverwood Estates Community Development District

### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Riverwood Estates 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*.

Finding 12-02:       The District was not in compliance with certain provisions of the Bond Indentures in that the District did not maintain the required reserve requirement. Reserve funds were utilized in a prior year to make certain debt service payments at the request of the bondholders.

Response:           The District continues to try to maintain adequate reserves as required.

Current status:       The finding has not been corrected as of September 30, 2022.

We noted certain matters that we reported to management of the District in a separate letter dated April 4, 2023.

### 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  
Certified Public Accountants PL  
Fort Pierce, Florida

April 4, 2023



# Berger, Toombs, Elam, Gaines & Frank

Certified Public Accountants PL

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## MANAGEMENT LETTER

To the 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 as of and for the year ended September 30, 2022, and have issued our report thereon dated April 4, 2023.

### 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, 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 April 4, 2023, 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 made to address findings and recommendations made in the preceding financial audit report. The following findings or recommendations were made in the preceding financial audit report:

#### **12-01 Failure to make Debt Service Payment when Due**

Finding: The Special Assessment Revenue Bonds Series 2006 require semiannual interest payments and annual principal payments per the Bond Indenture. In the current year and prior years, interest and principal was not paid on the bonds. The Trustee has directed the District not to collect debt service special assessments. The District, therefore, is not receiving debt service assessments due to the Developer's nonpayment and Special Purpose Entity purchase of the land within the District. The District was not in compliance with the requirements of the bond indenture and has met a financial emergency condition as described in Florida Statutes Section 218.503(1).

Fort Pierce / Stuart



To the Board of Supervisors  
Riverwood Estates Community Development District

### **12-01 Failure to make Debt Service Payment when Due (Continued)**

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

Management Response: 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 right to an 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.

Current Status: The finding has not been corrected as of September 30, 2022.

### **12-02 Failure to Meet Debt Service Reserve Account Requirement**

See page 30.

### **12-03 Failure to Include Component Unit Financial Statement in the Financial Report**

Finding: 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 because the assets of the SPE will be potentially used to satisfy the bonds payable included in the financial statements of the District. The SPE is not included as a component unit in the District's financial report. Due to the lack of control by the District and that the SPE's primary beneficiary is the bondholders, the District's position is that the SPE is not a component unit of the District. We could not audit the records nor include them as a discretely-presented component unit in the District's government-wide financial statements.

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



To the Board of Supervisors  
Riverwood Estates Community Development District

Management Response: The District's management does not agree that the SPE 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. 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.

Current Status: The finding has not been corrected as of September 30, 2022.

**Financial Condition**

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires us to apply appropriate procedures and communicate 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 to identify the specific conditions 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 (See Finding 12-01).

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, 2022 for the Riverwood Estates Community Development District. It is management's responsibility to monitor the Riverwood Estates 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.



To the Board of Supervisors  
Riverwood Estates Community Development District

### Specific Information

The information provided below was provided by management and has not been audited; therefore, we do not express an opinion or provide any assurance on the information.

As required by Section 218.39(3)(c) and Section 218.32 (1) (c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the Riverwood Estates Community Development District reported:

- 1) The total number of district employees compensated in the last pay period of the District's fiscal year: N/A
- 2) The total number of independent contractors to whom nonemployee compensation was paid in the last month of the District's fiscal year: 1
- 3) All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency: N/A
- 4) All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency: \$2,102
- 5) Each construction project with a total cost of at least \$65,000 approved by the District that is scheduled to begin on or after October 1, 2021, together with the total expenditures for such project: The District had no construction projects during the year.
- 6) A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the District amends a final adopted budget under Section 189.016(6), Florida Statutes: There were budget amendments to the FY 2022 budget, see below.

As required by Section 218.39(3)(c) and , Section 218.32 (1) (c), Florida Statutes, and Section 10.554(1)(i)8, Rules of the Auditor General, the Riverwood Estates Community Development District reported:

- 1) The rate or rates of non-ad valorem special assessments imposed by the District: N/A, no assessments
- 2) The amount of special assessments collected by or on behalf of the District: N/A
- 3) The total amount of outstanding bonds issued by the District and the terms of such bonds: \$9,830,000 unmatured bonds outstanding, originally issued in 2006 matures in 2037.

To the Board of Supervisors  
Riverwood Estates Community Development District

	Original Budget	Actual	Variance with Original Budget Positive (Negative)
Revenues			
SPE Contributions	\$ 27,951	\$ 28,902	\$ 951
Expenditures			
Current			
General government	27,951	28,902	(951)
Net Change in Fund Balances	-	-	-
Fund Balances - Beginning of Year	-	-	-
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

#### 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

April 4, 2023



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

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

We have examined Riverwood Estates Community Development District's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2022. Management is responsible for Riverwood Estates Community Development District's compliance with those requirements. Our responsibility is to express an opinion on Riverwood Estates 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 Estates 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 Estates Community Development District's compliance with the specified requirements.

In our opinion, Riverwood Estates Community Development District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2022.

*Berger Toombs Elam  
Gaines & Frank*

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

April 4, 2023