

**RIVER BEND
COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2012**

**RIVER BEND COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-6
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Assets	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet – Governmental Funds	9
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	10
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Notes to the Financial Statements	13-24
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	25
Notes to Required Supplementary Information	26
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	27-28
MANAGEMENT LETTER REQUIRED BY CHAPTER 10.550 OF THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA	29-32



Grau & Associates
CERTIFIED PUBLIC ACCOUNTANTS

2700 North Military Trail • Suite 350
Boca Raton, Florida 33431
(561) 994-9299 • (800) 299-4728
Fax (561) 994-5823
www.graucpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
River Bend Community Development District
Hillsborough County, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund and the non-major fund of River Bend Community Development District, Hillsborough County, Florida (the "District") as of and for the fiscal year ended September 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the non-major fund of the District as of September 30, 2012, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 7 and other referenced notes to the basic financial statements, the District's financial condition is deteriorating. Due to the Developer's failure to pay its full share of assessments in the prior and current fiscal years, the District did not have sufficient funds to make certain Series 2005 and 2007 scheduled debt service payments and as a result, the payments were not made. The non-payment of debt service is considered an event of default in accordance with the Bond Indenture. Furthermore, the debt service fund reported a deficit fund balance of (\$572,084) at September 30, 2012. The District foreclosed on certain lots owned by the Developer with delinquent assessments and subsequently resold the lots to Lennar, a major Landowner. The District is economically dependent on the major Landowner. In addition, subsequent to fiscal year end, additional scheduled debt service payments on the Series 2005 and 2007 Bonds were not made. However, a portion of the delinquent interest payments on the Series 2005 Bonds were subsequently paid and the Bondholders have agreed to cancel/forgive certain debt service obligations pertaining to the Series 2005 Bonds subsequent to the end of the fiscal year.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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.

Dram et Associates

December 17, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of River Bend Community Development District, Hillsborough County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2012. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The liabilities of the District exceeded its assets at the close of the most recent fiscal year resulting in a net asset deficit balance of (\$3,257,068).
- The change in the District's total net assets in comparison with the prior year was (\$346,680), a decrease. The key components of the District's net assets and change in net assets are reflected in the table in the government-wide financial analysis section.
- At September 30, 2012, the District's governmental funds reported combined ending fund balances of \$22,994, an increase of \$311,850 in comparison with the prior year. A portion of the fund balance is restricted for capital projects, non-spendable for prepaid items, (\$572,084) is unassigned, deficit debt service fund balance, and the remainder is unassigned fund balance which is available for spending at the District's discretion.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as the introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

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

The government-wide financial statements include all governmental activities that are principally supported by special assessment revenues. The District does not have any business-type activities. The governmental activities of the District include the general government (management), maintenance and parks and recreation functions.

Fund Financial Statements

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

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Governmental Funds

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

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

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

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

Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of an entity's financial position. In the case of the District, liabilities exceeded assets at the close of the most recent fiscal year.

Key components of the District's net assets are reflected in the following table:

	NET ASSETS	
	SEPTEMBER 30,	
	2012	2011
Assets, excluding capital assets	\$ 3,633,745	\$ 2,732,400
Capital assets	14,423,745	14,642,243
Total assets	18,057,490	17,374,643
Liabilities, excluding long-term liabilities	3,770,277	2,504,884
Long-term liabilities	17,544,281	17,780,147
Total liabilities	21,314,558	20,285,031
Net assets		
Invested in capital assets, net of related debt	(2,842,886)	(2,812,961)
Unrestricted	(414,182)	(97,427)
Total net assets (deficit)	\$ (3,257,068)	\$ (2,910,388)

A portion of the District's net assets reflects its investment in capital assets (e.g. land, land improvements, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Key elements of the change in net assets are reflected in the following table:

	2012	2011
Revenues:		
Program revenues	\$ 2,029,046	\$ 1,682,180
General revenues	1,112	1,097
Total revenues	<u>2,030,158</u>	<u>1,683,277</u>
Expenses:		
General government	324,099	194,036
Maintenance and operations	862,939	797,608
Parks and recreation	18,027	10,384
Interest	1,171,773	1,142,161
Total expenses	<u>2,376,838</u>	<u>2,144,189</u>
Change in net assets	<u>(346,680)</u>	<u>(460,912)</u>
Net assets (deficit) beginning	<u>(2,910,388)</u>	<u>(2,449,476)</u>
Net assets (deficit) ending	<u>\$ (3,257,068)</u>	<u>\$ (2,910,388)</u>

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2012 was \$2,376,838. The costs of the District's activities were primarily funded by program revenues. Program revenues were comprised primarily of assessments for both the current and prior fiscal years. The increase in program revenues is primarily attributed to the collection of interest and penalties on prior year delinquent assessments and more prepayments of assessments. The majority of the increase in expenses is due to higher professional fees and other fees relating to the collection of delinquent assessments, foreclosure and sale of property to Lennar – see Note 12, as well as higher landscaping and other maintenance costs.

GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures for the fiscal year ended September 30, 2012 exceeded appropriations by \$386,898. The over expenditures were funded by collections of delinquent assessments and related penalties.

The variance between budgeted and actual general fund revenues was primarily the result collection of delinquent assessments and related penalties. Actual general fund expenditures for the fiscal year ended September 30, 2012 exceeded appropriations due primarily to higher than expected capital expenditures and higher professional or other fees relating to the collection of delinquent assessments, foreclosure and sale of property to Lennar.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2012, the District had \$17,620,606 invested in land, stormwater infrastructure, landscape, furniture and equipment, and construction in progress for its governmental activities. In the government-wide financial statements, depreciation of \$3,196,861 has been taken, which resulted in a net book value of \$14,423,745. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Capital Debt

At September 30, 2012, the District had \$17,625,000 in Bonds outstanding, \$79,632 due to the Developer, and \$279,281 in capital lease payable for its governmental activities. More detailed information about the District's capital debt is presented in the notes of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND OTHER EVENTS

As discussed in the notes to the basic financial statements, the District's financial condition has deteriorated. Due to the Developer's failure to pay its full share of assessments in the prior fiscal years, the District did not have sufficient funds to make certain Series 2005 and 2007 scheduled debt service payments and as a result, the payments were not made. The non-payment of debt service is considered an event of default in accordance with the Bond Indenture. The District foreclosed on certain lots owned by the Developer with delinquent assessments and subsequently resold the lots to Lennar, a major Landowner, thus the Developer is no longer involved with the District. The District is economically dependent on the major Landowner.

In addition, subsequent to the end of the fiscal year, the Bondholders of the Series 2005 Bonds agreed to cancel/forgive certain debt service obligations.

The District does not anticipate any major projects or significant changes to its infrastructure maintenance program for the subsequent fiscal year. In addition, it is anticipated that the general operations of the District will decrease.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, land owners, 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 the River Bend Community Development District's Finance Department at 5680 West Cypress Street, Suite A, Tampa, Florida 33607.

FINANCIAL STATEMENTS

**RIVER BEND COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012**

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 1,178,224
Accounts receivable	668
Assessments receivable	102,341
Deposits	17,475
Prepays	6,631
Restricted assets:	
Temporarily restricted	
Investments	1,972,771
Deferred charges	355,635
Capital assets:	
Non-depreciable	1,594,227
Depreciable, net	12,829,518
Total assets	<u>18,057,490</u>
LIABILITIES	
Accounts payable	122,583
Accrued interest payable	450,894
Due to Bondholders	
Principal	360,000
Interest	2,757,168
Non-current liabilities:	
Due to Developer	79,632
Due within one year*	264,672
Due in more than one year	17,279,609
Total liabilities	<u>21,314,558</u>
NET ASSETS	
Invested in capital assets, net of related debt	(2,842,886)
Unrestricted	(414,182)
Total net assets (deficit)	<u>\$ (3,257,068)</u>

* The missed principal payment due on the Series 2005 Bonds is included in the due to Bondholders account.

See notes to the financial statements

**RIVER BEND COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

Functions/Programs	Program Revenues			Net (Expense)	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
Primary government:					
Governmental activities:					
General government	\$ 324,099	\$ 324,099	\$ -	\$ -	\$ -
Maintenance and operations	862,939	696,745	-	2	(166,192)
Parks and recreation	18,027	-	-	-	(18,027)
Interest on long-term debt	1,171,773	1,007,636	564	-	(163,573)
Total governmental activities	<u>2,376,838</u>	<u>2,028,480</u>	<u>564</u>	<u>2</u>	<u>(347,792)</u>
General revenues:					
Unrestricted investment earnings					1,112
Total general revenues					<u>1,112</u>
Change in net assets					(346,680)
Net assets (deficit) - beginning					(2,910,388)
Net assets (deficit) - ending					<u>\$ (3,257,068)</u>

See notes to the financial statements

**RIVER BEND COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

	Major Funds		Nonmajor Fund	Total Governmental Funds
	General	Debt Service	Capital Projects	
ASSETS				
Cash	\$ 1,178,224	\$ -	\$ -	\$ 1,178,224
Investments	-	1,971,122	1,649	1,972,771
Assessments receivable	5,184	97,157	-	102,341
Accounts receivable	668	-	-	668
Deposits	17,475	-	-	17,475
Due from other funds	-	492,170	-	492,170
Prepays	6,631	-	-	6,631
Total assets	<u>\$ 1,208,182</u>	<u>\$ 2,560,449</u>	<u>\$ 1,649</u>	<u>\$ 3,770,280</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 122,581	\$ -	\$ 2	\$ 122,583
Due to Bondholders	-	3,117,168	-	3,117,168
Due to other funds	492,170	-	-	492,170
Deferred revenue	-	15,365	-	15,365
Total liabilities	<u>614,751</u>	<u>3,132,533</u>	<u>2</u>	<u>3,747,286</u>
Fund balances:				
Nonspendable:				
Prepaid items	24,106	-	-	24,106
Restricted for:				
Capital projects	-	-	1,647	1,647
Unassigned	569,325	(572,084)	-	(2,759)
Total fund balances	<u>593,431</u>	<u>(572,084)</u>	<u>1,647</u>	<u>22,994</u>
Total liabilities and fund balances	<u><u>\$ 1,208,182</u></u>	<u><u>\$ 2,560,449</u></u>	<u><u>\$ 1,649</u></u>	<u><u>\$ 3,770,280</u></u>

See notes to the financial statements

**RIVER BEND COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET- GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012**

Fund balance - governmental funds	\$	22,994
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in the governmental funds. The statement of net assets includes those capital assets, net of any accumulated depreciation, in the net assets of the government as a whole.</p>		
Cost of capital assets	17,620,606	
Accumulated depreciation	<u>(3,196,861)</u>	14,423,745
<p>Bond issuance costs are not financial resources and, therefore are not reported as assets in the governmental funds. The statement of net assets includes these costs, net of accumulated amortization.</p>		
Bond issuance costs	617,201	
Accumulated amortization	<u>(261,566)</u>	355,635
<p>Assets that are not available to pay for current-period expenditures are deferred in the fund statements.</p>		
		15,365
<p>Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide statements.</p>		
Due to Developer	(79,632)	
Capital lease payable	(279,281)	
Accrued interest payable	(450,894)	
Bonds payable	<u>(17,265,000)</u>	(18,074,807)
Net assets of governmental activities		<u><u>\$ (3,257,068)</u></u>

See notes to the financial statements

**RIVER BEND COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	Major Funds		Nonmajor Fund	Total Governmental Funds
	General	Debt Service	Capital Projects	
REVENUES				
Assessments	\$ 1,304,882	\$ 1,352,202	\$ -	\$ 2,657,084
Interest income	1,112	564	2	1,678
Total revenues	<u>1,305,994</u>	<u>1,352,766</u>	<u>2</u>	<u>2,658,762</u>
EXPENDITURES				
Current:				
General government	316,786	7,312	1	324,099
Maintenance	233,163	-	-	233,163
Parks and recreation	18,027	-	-	18,027
Debt service:				
Principal	50,866	185,000	-	235,866
Interest	32,251	1,092,228	-	1,124,479
Capital outlay	411,278	-	-	411,278
Total expenditures	<u>1,062,371</u>	<u>1,284,540</u>	<u>1</u>	<u>2,346,912</u>
Excess (deficiency) of revenues over (under) expenditures	243,623	68,226	1	311,850
OTHER FINANCING SOURCES (USES)				
Interfund transfers (out) / in	280,637	(280,637)	-	-
Total other financing sources (uses)	<u>280,637</u>	<u>(280,637)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	524,260	(212,411)	1	311,850
Fund balances (deficit) - beginning	<u>69,171</u>	<u>(359,673)</u>	<u>1,646</u>	<u>(288,856)</u>
Fund balances (deficit) - ending	<u>\$ 593,431</u>	<u>\$ (572,084)</u>	<u>\$ 1,647</u>	<u>\$ 22,994</u>

See notes to the financial statements

**RIVER BEND COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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

Net change in fund balances - total governmental funds	\$	311,850
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is eliminated and capitalized as capital assets.		411,278
Depreciation on capital assets is not recognized in the governmental fund statement but is reported as an expense in the statement of activities.		(629,776)
Certain revenue were deferred in the fund financial statements in the prior year. In the current year, these revenues were recorded in the fund financial statements.		(643,969)
Repayment of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the statement of net assets and are eliminated in the statement of activities.		235,866
Amortization of deferred charges is not recognized in the governmental fund statement but is reported as an expense in the statement of activities.		(47,294)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		15,365
Change in net assets of governmental activities	<u>\$</u>	<u>(346,680)</u>

See notes to the financial statements

**RIVER BEND COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

River Bend Community Development District ("District") was created on November 18, 2004 by Hillsborough County, Florida Ordinance 04-48 pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes. The Act provides among other things, the power to manage basic services for community development, power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

The District was established for the purpose of financing and managing the acquisition, construction, maintenance and operation of a portion of the infrastructure necessary for community development within the District.

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Supervisors are elected on an at large basis by the owners of the property within the District. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes. One of the Board members is associated with River Bend, LLC. ("Developer") at September 30, 2012.

The Board has the responsibility for:

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

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement 14, and Statement 39, an amendment of GASB Statement 14. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District Board of Supervisors is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Assessments

Assessments are non-ad valorem assessments on all platted lots within the District. Assessments are levied each November 1 on property as of the previous January 1 to pay for the operations and maintenance of the District. The fiscal year for which annual assessments are levied begins on October 1 with discounts available for payments through February 28 and become delinquent on April 1. For debt service assessments, amounts collected as advance payments are used to prepay a portion of the Bonds outstanding. Otherwise, assessments are collected annually to provide funds for the debt service on the portion of the Bonds which are not paid with prepaid assessments. The District's annual assessments are billed and collected by the County Tax Assessor/Collector. The amounts remitted to the District are net of applicable discounts or fees and include interest on monies held from the day of collection to the day of distribution.

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

The District reports the following major governmental funds:

General Fund

The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund

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

The District also reports the following non-major governmental fund:

Capital Projects Fund

This fund accounts for the financial resources to be used for the acquisition or construction of major infrastructure within the District.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first for qualifying expenditures, then unrestricted resources as they are needed.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity

Restricted Assets

These assets represent cash and investments set aside pursuant to Bond covenants or other contractual restrictions

Deposits and Investments

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

The District has adopted a written investment policy, which complies with the requirements of Section 218.415 Florida Statutes. All investments comply with the requirements of the written investment policy. The District may invest any surplus public funds in the following:

- a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act;
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c) Interest bearing time deposits or savings accounts in qualified public depositories;
- d) Direct obligations of the U.S. Treasury.
- e) Short term Bond Funds

Securities listed in paragraphs c and d shall be invested to provide sufficient liquidity to pay obligations as they come due. In addition, any unspent proceeds are required to be held in investments allowed in the Bond Indenture.

The District records all interest revenue related to investment activities in the respective funds and reports investments at fair value.

Inventories and Prepaid Items

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity (Continued)

Capital Assets (Continued)

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Stormwater Management	25
Landscape	30
Furniture and equipment	5

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

Deferred Charges

In connection with the issuance of certain debt, the District incurred costs totaling \$617,201. In the government-wide financial statements that amount has been capitalized and amortized over the estimated life of the Bonds. At September 30, 2012 the District reported accumulated amortization of \$261,566.

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized ratably over the life of the Bonds. Bonds payable are reported net of premiums or discounts.

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

Fund Equity/Net Assets

In the fund financial statements, governmental funds report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change.

The District can establish limitations on the use of fund balance as follows:

Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Supervisors. Commitments may be changed or lifted only by the Board of Supervisors taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned fund balance – Includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. The Board may also assign fund balance as it does when appropriating fund balance to cover differences in estimated revenue and appropriations in the subsequent year's appropriated budget. Assignments are generally temporary and normally the same formal action need not be taken to remove the assignment.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity (Continued)

Fund Equity/Net Assets (Continued)

The District first uses committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net assets in the government-wide financial statements are categorized as invested in capital assets, net of related debt, restricted or unrestricted. Invested in capital assets, net of related debt represents net assets related to infrastructure and property, plant and equipment, net of any related debt. Restricted net assets represent the assets restricted by the District's Bond covenants or other contractual restrictions.

Other Disclosures

Use of Estimates

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

NOTE 3 – BUDGETARY INFORMATION

The District is required to establish a budgetary system and an approved Annual Budget. Annual budgets are adopted on a basis consistent with the generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end.

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

- a) Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- b) Public hearings are conducted to obtain comments.
- c) Prior to October 1, the budget is legally adopted by the District Board.
- d) All budget changes must be approved by the District Board.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits

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

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Investments

The District's investments were held as follows at September 30, 2012:

	Fair Value	Credit Risk	Maturities
US Bank Money Market Account	\$ 1,972,771	Not available	Not available
Total Investments	<u>\$ 1,972,771</u>		

Custodial risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The District has no formal policy for custodial risk. The money market mutual funds are not evidenced by securities that exist in physical or book entry form.

Credit risk – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

Concentration risk – The District places no limit on the amount the District may invest in any one issuer.

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

The Bond Indenture limits the type of investments used for unspent Bond proceeds.

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables at September 30, 2012 were as follows:

Fund	Receivable	Payable
General Fund	\$ -	\$ 492,170
Debt Service Fund	492,170	-
Total	<u>\$ 492,170</u>	<u>\$ 492,170</u>

The outstanding balances between funds result primarily from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made. In the case of the District, the balances between the general fund and the debt service fund primarily relate to assessments collected in the general fund that have not yet been transferred to the debt service fund as well as a \$100,000 loan to the general fund.

Interfund transfers for the fiscal year ended September 30, 2012 were as follows:

Fund	Transfer in	Transfer Out
General fund	\$ 280,637	\$ -
Debt Service Fund	-	280,637
Total	<u>\$ -</u>	<u>\$ 280,637</u>

Transfers are used to move revenues from the fund where collection occurs to the fund where funds have been reallocated for use. In the case of the District, transfers from the debt service fund to the general fund were to fund certain operating and maintenance expenses as approved by the Board and the Bondholders.

NOTE 6 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 810,902	\$ -	\$ -	\$ 810,902
Construction in progress	393,578	389,747	-	783,325
Total capital assets, not being depreciated	1,204,480	389,747	-	1,594,227
Capital assets, being depreciated				
Stormwater Management Control	13,535,156	-	-	13,535,156
Landscape	2,459,246	-	-	2,459,246
Furniture and equipment	10,446	21,531	-	31,977
Total capital assets, being depreciated	16,004,848	21,531	-	16,026,379
Less accumulated depreciation for:				
Stormwater Management Control	2,401,046	541,406	-	2,942,452
Landscape	163,950	81,975	-	245,925
Furniture and equipment	2,089	6,395	-	8,484
Total accumulated depreciation	2,567,085	629,776	-	3,196,861
Total capital assets, being depreciated, net	13,437,763	(608,245)	-	12,829,518
Governmental activities capital assets, net	\$ 14,642,243	\$ (218,498)	\$ -	\$ 14,423,745

The total projected cost of the infrastructure improvements has been estimated at approximately \$28.7 million, of which \$8.9 million was paid for with proceeds from the Series 2005 Bonds and \$8.0 million was paid for with proceeds from the Series 2007 Bonds. The remaining infrastructure improvements will be funded through Developer contributions. The majority of the improvements were acquired from the Developer. Construction in progress represents certain amenity center improvements that were partially financed through a capital lease – see Note 8.

In connection with the 2005 project, the District established a deferred cost investment account reported in the capital projects fund. In the event there are excess Series 2005 and 2007 reserves, they are to be transferred from the debt service to the capital projects fund and used to repay funds advanced for the project or for the purchase of additional components. However, if funds in the account are not needed for that purpose they are to be transferred to the debt service fund and used to redeem outstanding related debt. The District has determined it has a liability of \$2,230,933 for deferred costs. However, no amounts have been reflected on the financial statements as it is not probable that the amounts will be repaid. At September 30, 2012, there is a balance of \$60 in the deferred costs account.

Depreciation expense was charged to maintenance and operations.

NOTE 7 – LONG-TERM LIABILITIES

Series 2005

On May 18, 2005, the District issued \$9,960,000 of Capital Improvement Revenue Bonds, Series 2005 due on May 1, 2035 with a fixed interest rate of 5.45%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1. Principal on the Bonds is to be paid serially commencing May 1, 2006 through May 1, 2035.

The Series 2005 Bonds are subject to redemption at the option of the District prior to their maturity. The Bonds are subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture.

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Series 2005 (Continued)

The Bond Indenture established a debt service reserve requirement as well as other 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 was not in compliance with the reserve requirement at September 30, 2012. There is a deficiency in the reserve requirement of approximately (\$235,000) at September 30, 2012.

Series 2007

On November 14, 2007, the District issued \$9,600,000 of Capital Improvement Revenue Bonds, Series 2007 due on November 1, 2015 with a fixed interest rate of 7.125%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1. Principal for the Series 2007 Bonds is to be paid in full on November 1, 2015.

The Series 2007 Bonds are not subject to optional redemption. The Bonds are subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture.

The Bond Indenture established a debt service reserve requirement as well as other 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 is not in compliance with the reserve requirement at September 30, 2012. There is a deficiency in the reserve requirement of approximately (\$513,000) at September 30, 2012.

During the prior and current fiscal years, the Developer failed to make payment on the special assessments which ultimately secure the Bonds. As a result, certain scheduled debt service payments on the Series 2005 and Series 2007 Bonds due during prior fiscal years were made, in part, by draws on the Debt Service Reserve Accounts. In addition, a past delinquent debt service interest payment for the Series 2007 Bonds, originally due November 1, 2009, for \$321,338, was made in part from a draw on the reserves, on April 26, 2011. Additionally, due to the default on the Bonds, certain remedial expenditures were financed by funds in the Debt Service Reserve Accounts. Furthermore, the District did not have sufficient funds to make certain scheduled debt service payments on the Series 2005 and Series 2007 Bonds in prior and current fiscal years, and as a result, the payments were not made. The amounts have been accrued on the fund financial statements as due to Bondholders and reflect \$360,000 due for principal and \$2,757,168 due for interest. The failure by the District to pay its debt service is considered an event of default. See Note 16 for additional information subsequent to fiscal year end.

Changes in long-term liability activity for the fiscal year ended September 30, 2012 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2005	\$ 9,195,000	\$ -	\$ -	\$ 9,195,000	\$ 560,000 *
Series 2007	8,430,000	-	-	8,430,000	-
Due to Developer	79,632	-	-	79,632	-
Capital lease	330,147	-	50,866	279,281	64,672
Governmental activity long-term liabilities	<u>\$ 18,034,779</u>	<u>\$ -</u>	<u>\$ 50,866</u>	<u>\$ 17,983,913</u>	<u>\$ 624,672</u>

*Includes the missed debt service payments due for the Series 2005 Bonds which were not paid.

NOTE 7 – LONG-TERM LIABILITIES (Continued)

At September 30, 2012, the scheduled debt service requirements on the Bonds payable were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2013	\$ 560,000	\$ 3,538,994 *	\$ 4,098,994
2014	210,000	1,071,245	1,281,245
2015	8,650,000	1,059,800	9,709,800
2016	235,000	447,173	682,173
2017	245,000	434,365	679,365
2018 - 2022	1,455,000	1,955,188	3,410,188
2023 - 2027	1,905,000	1,512,375	3,417,375
2028 - 2032	2,510,000	930,315	3,440,315
2033 - 2035	1,855,000	205,465	2,060,465
Total	<u>\$ 17,625,000</u>	<u>\$ 11,154,920</u>	<u>\$ 28,779,920</u>

* Includes the missed debt service payments due for the Series 2005 Bonds which were not paid.

NOTE 8 – CAPITAL LEASE

During the prior fiscal year ended September 30, 2011, the District entered into a new lease for certain amenity center improvements. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at present value of its future minimum lease payments as of the inception date.

The asset acquired through capital lease is as follows:

	Governmental Activities
Asset:	
Amenity center improvements	\$ 352,900
Less: Accumulated depreciation	
Total	<u>\$ 352,900</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2012, are as follows:

Year ending September 30,	Governmental Activities		
	Total	Principal	Interest
2013	\$ 90,228	\$ 64,672	\$ 25,556
2014	90,228	71,387	18,841
2015	90,228	78,799	11,429
2016	67,671	64,423	3,248
Total minimum lease payments	338,355	<u>\$ 279,281</u>	<u>\$ 59,074</u>
Less: amount representing interest	(59,074)		
Present value of minimum lease payments	<u>\$ 279,281</u>		

NOTE 9 – EVENTS OF DEFAULT

During the prior and current fiscal years, due to the Developers' failure to pay its full share of assessments in the current fiscal year, the District did not have sufficient funds to make certain Series 2005 and Series 2007 scheduled debt service payments, and, as a result, the payments were not made. The District declared an event of default in accordance with the Bond Indenture. The occurrence of an event of default creates certain remedial rights and remedies in favor of the Trustee. Pursuant to the Indenture, the owners of a majority in aggregate principal amount of the Bonds then outstanding may direct the Trustee with regard to such rights and remedies following an event of default and upon provision of indemnity satisfactory to the Trustee and in accordance with provisions of the Indenture. As a result, certain expenditures for professional and other fees related to the default have been funded through the Series 2005 and Series 2007 trust accounts. During the prior fiscal year, default related expenditures were approximately \$20,479 and \$10,973 from the Series 2005 and Series 2007 trust accounts, respectively. During the current fiscal year, default related expenditures were approximately \$40,589 and \$86,882 from the Series 2005 and Series 2007 trust accounts, respectively. In addition, subsequent to the end of the current fiscal year, additional default related expenditures totaled approximately \$8,887 and \$8,936 from the Series 2005 and Series 2007 trust accounts, respectively.

NOTE 10 – DEFICIT FUND EQUITY

The debt service fund had a deficit fund balance of (\$572,084) at September 30, 2012. It is expected that the deficit will be covered as the District collects additional lot purchase price from the sale of property to Lennar.

NOTE 11 – DEVELOPER AND MAJOR LANDOWNER TRANSACTIONS AND CONCENTRATION

The Developer, River Bend, LLC, owned a significant portion of land within the District. As such, assessment revenues in the general and debt service funds include the assessments levied on those lots owned by the Developer. The Developer, however, did not pay its current and prior fiscal year assessments totaling approximately \$2,392,344. The District foreclosed on the property owned by the Developer in the prior fiscal year, thus the Developer is no longer involved with the District. As a result of the foreclosure and subsequent resale of the lots to Lennar Homes, approximately \$281,266, \$1,035,548, and \$557,336 in delinquent operations and maintenance, Series 2007 off-roll assessments, and Series 2005 off-roll assessments, respectively, from the Developer were written off in the current fiscal year. Due to the uncertainty of collections for the remaining delinquent assessments, an allowance of \$507,974 has been recorded. See Note 12 – Foreclosure and Lot Sale for additional information regarding the delinquent assessments and Note 16 – Subsequent Events for additional information subsequent to fiscal year end.

In addition, Lennar Homes, LLC, ("Lennar") owns a significant portion of land within the District. As such, in the current fiscal year, the entity was billed \$128,290 and \$44,850 for debt service and operations and maintenance. Further, as mentioned in Note 12 – Foreclosure and Lot Sale, Lennar acquired 255 lots previously owned by the Developer during the fiscal year and thus the Developer is no longer involved with the District. Pursuant with the sale agreement (Note 12), the District collected approximately \$634,452 in delinquent on-roll operation and maintenance and debt service assessments during the current fiscal year plus an additional \$310,909 representing interest and penalties on the past due amounts.

In a prior fiscal year, the Developer provided the District \$79,632 to pay for certain requisitions. This amount was reported in the capital projects fund as Developer proceeds. In the government-wide financial statements, the amount is recorded as a liability because the amounts are expected to be repaid in the future.

The District's activity is dependent on the continued paying involvement of the major landowner, the loss of which could have a material adverse effect on the District's operations.

NOTE 12 – FORECLOSURE AND LOT SALE

In accordance with the Series 2007 Bond Indenture, the District filed a lawsuit seeking to foreclose on all of the land for which there were delinquent assessments, including the land owned by the Developer.

With regard to the foreclosure action against The Ryan Group, LLC, a summary judgment was entered in favor of the District, and the District was the successful bidder at the foreclosure sale. A certificate of vesting title in the District to approximately 255 platted lots was issued July 6, 2011. The trustee for the Bondholders objected to the District's proposed auction of the lots. On March 8, 2012, the District filed an action in circuit court for a declaratory judgment in which the District is seeking guidance from the court regarding the sale of these lots. In May 2012, the court entered an Order of Joint Stipulation for approval of the Settlement Agreement. Pursuant to the terms of the Settlement Agreement, the Trustee transferred \$180,637 from the Series 2007B Prepayment Account to the General Fund, of which \$80,637 represented the amount of delinquent 2011 O&M assessments related to the 255 lots, and \$100,000 represented a loan to be repaid on the sale of the lots to Lennar. The \$100,000 was repaid in October 2012.

As directed under the court order, the District entered into a purchase and sale agreement with Lennar for the sale of the 255 lots to Lennar in July 2012. Under the purchase and sale agreement, Lennar agreed to place a \$10,000 earnest deposit in escrow. The lots were sold for a base price of \$1, plus additional purchase price to be paid at resale of the lots to an ultimate consumer. The lot additional purchase price ranges from \$3,000 to \$5,000 based on the size of the lot. In addition to these purchase price payments, Lennar agreed to pay outstanding taxes and assessments on the lots through December 2011, and a prorated portion of the 2012 taxes and assessments. The outstanding tax and assessments to be paid was defined to include all unpaid and outstanding ad valorem taxes and non-ad valorem assessments levied or imposed by the Hillsborough County Tax Collector through and including tax year 2011, including, but not limited to, "on roll" special assessments previously levied by the District for operations and maintenance and debt service. However, outstanding tax and assessments did not include off-roll special assessments prior to the closing of the purchase and sale of the property, provided that a pro-rated portion of assessment equal to the amount of interest accrued on the Bonds from the date of closing to November 1, 2012 is paid to the District by October 15, 2012. Pursuant with the agreement, the District collected approximately \$634,452 in delinquent on-roll operation and maintenance and debt service assessments during the current fiscal year plus an additional \$336,219 representing interest and penalties on the past due amounts. See Note 16 – Subsequent Events for additional information subsequent to year end.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

The District was a co-defendant in a lawsuit by a supplier. The main defendant was the Developer. The suit asks for damages totaling approximately \$850,000. Subsequent to the end of the fiscal year, the case was resolved by a stipulation of voluntary dismissal.

The District has received a demand for payment of invoices from an affiliate of the Developer. The District has not determined its liability under the suit. No adjustment has been made to the financial statements as the impact on the District cannot be determined at this time since it is unclear how events will unfold.

NOTE 14 – MANAGEMENT COMPANY

The District has contracted with a management company to perform services which include financial and accounting advisory services. Certain employees of the management company also serve as officers of the District in a non-voting capacity. Under the agreement, the District compensates the management company for management, accounting, financial reporting, computer and other administrative costs.

NOTE 15 – 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 costs of these risks; coverage may not extend to all situations. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

NOTE 16 – SUBSEQUENT EVENTS

Scheduled Debt Service Payments

Subsequent to fiscal year end, certain scheduled debt service payments were due on the Series 2005 and Series 2007 Bonds. However, shortfalls in the collection of special assessments caused there to be insufficient amounts available to fully fund the scheduled debt service payments. As a result, certain scheduled debt service payments were not made for November 1, 2012, and May 1, 2013 for the Series 2005 and Series 2007 Bonds when due. However, in March 2013, the District paid a portion of the delinquent interest on the Series 2005 Bonds in the amount of \$1,006,888. In July 2013, 100% of the Bondholders for the Series 2005 Bonds directed the Trustee to pay \$481,508 in past due interest from November 1, 2012 and May 1, 2013 from the Revenue Trust Account, and the May 1, 2013 principal payment of \$200,000. The \$481,508 interest was paid in July 2013 and the \$200,000 principal was paid in August 2013 on the Series 2005 Bonds. The failure by the District to pay its debt service is considered an event of default.

Debt Cancellation

In March 2013, 100% of the Bondholders for the Series 2005 Bonds directed the Trustee to cancel \$360,000 in aggregate principal which represents delinquent amounts that were due for May 1, 2011 and 2012. Furthermore in July 2013, \$240,754 in interest that was past due from May 1, 2012 was forgiven by the Bondholders.

Reserve Accounts

As discussed in the notes to the financial statements, the District is in default on its Series 2005 and Series 2007 Bonds. The occurrence of an event of default creates certain remedial rights and remedies in favor of the Trustee. As a result, subsequent to the end of the fiscal year additional remedial expenditures totaling approximately \$8,887 and \$8,936 were paid from the Series 2005 and Series 2007 trust accounts, respectively.

Foreclosure, Lot Sale, and Other Information

Pursuant to the terms of the Settlement Agreement with the Trustee, the Trustee loaned \$100,000 to the general fund to be repaid on the sale of the lots to Lennar. The \$100,000 was repaid in October 2012.

As directed under the court order, the District entered into a purchase and sale agreement with Lennar for the sale of the 255 lots to Lennar in July 2012. The lots were sold for a base price of \$1, plus additional purchase price to be paid at resale of the lots to an ultimate consumer. The lot additional purchase price ranges from \$3,000 to \$5,000 based on the size of the lot. Subsequent to year end, Lennar has resold 94 lots and remitted \$341,000 in additional purchase price to the District.

**RIVER BEND COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	Budgeted Amounts <u>Original & Final</u>	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Assessments	\$ 673,273	\$ 1,304,882	\$ 631,609
Miscellaneous	1,000	-	(1,000)
Interest and other revenues	1,200	1,112	(88)
Total revenues	<u>675,473</u>	<u>1,305,994</u>	<u>630,521</u>
EXPENDITURES			
Current:			
General government	96,660	316,786	(220,126)
Maintenance	347,965	233,163	114,802
Parks and recreation	5,200	18,027	(12,827)
Debt service:			
Principal	80,000	50,866	29,134
Interest	-	32,251	(32,251)
Capital outlay	145,648	411,278	(265,630)
Total expenditures	<u>675,473</u>	<u>1,062,371</u>	<u>(386,898)</u>
Excess (deficiency) of revenues over (under) expenditures	-	243,623	243,623
OTHER FINANCING SOURCES			
Interfund transfers (out) / in	-	280,637	280,637
Total other financing sources	<u>-</u>	<u>280,637</u>	<u>280,637</u>
Net change in fund balances	<u>\$ -</u>	<u>524,260</u>	<u>\$ 524,260</u>
Fund balances - beginning		<u>69,171</u>	
Fund balances - ending		<u>\$ 593,431</u>	

See notes to required supplementary information

**RIVER BEND COMMUNITY DEVELOPMENT DISTRICT
HILLSBOROUGH COUNTY, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

The District is required to establish a budgetary system and an approved Annual Budget for the general fund. The District's budgeting process is based on estimates of cash receipts and cash expenditures which are approved by the Board. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures for the fiscal year ended September 30, 2012 exceeded appropriations by \$386,898. The over expenditures were funded by collections of delinquent assessments and related penalties.

The variance between budgeted and actual general fund revenues was primarily the result collection of delinquent assessments and related penalties. Actual general fund expenditures for the fiscal year ended September 30, 2012 exceeded appropriations due primarily to higher than expected capital expenditures and higher professional or other fees relating to the collection of delinquent assessments, foreclosure and sale of property to Lennar.



**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
River Bend Community Development District
Hillsborough County, Florida

We have audited the financial statements of the governmental activities, each major fund and the non-major fund of River Bend Community Development District, Hillsborough County, Florida ("District") as of and for the fiscal year ended September 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 17, 2013, which includes an emphasis of a matter paragraph. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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*.

We noted other matters regarding compliance that we reported to management of the District in a separate letter dated December 17, 2013.

The District's responses to the findings identified in our audit are described in the accompanying Management Letter. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended for the information of the management, Board of Supervisors of the River Bend Community Development District, Hillsborough County, Florida and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Gran & Associates

December 17, 2013



**MANAGEMENT LETTER PURSUANT TO THE RULES OF
THE AUDITOR GENERAL FOR THE STATE OF FLORIDA**

To the Board of Supervisors
River Bend Community Development District
Hillsborough County, Florida

We have audited the accompanying basic financial statements of River Bend Community Development District ("District") as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated December 17, 2013, which includes an emphasis of a matter paragraph.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Florida Auditor General. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In addition, we have issued our Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards* dated December 17, 2013. Disclosures in that report should be considered in conjunction with this management letter.

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the financial statements of the District, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.**
- II. Status of prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. This letter is intended for the information and use of management, Board of Supervisors of River Bend Community Development District, Hillsborough County, Florida and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank River Bend Community Development District, Hillsborough County, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements, and the courtesies extended to us.

Grau & Associates

December 17, 2013

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2012-01 Reserve Requirement:

Observation: The District is not in compliance with the reserve requirements as outlined in the Series 2005 and Series 2007 Bond Indentures at September 30, 2012.

Recommendation: The District should take the necessary steps to replenish the reserve accounts.

Management Response: The District did not meet their reserve requirement due to assessments that were not collected which are now owned by Lennar and due to the fact that legal counsels, as well as real estate management fees, were being deducted directly from the reserves during the time of default. These withdraws from reserves are not going to be reimbursed by the CDD to the trust. The bondholders understand that this is the case and that the CDD will not meet the reserve requirement in the future.

2012-02 Financial Condition Assessment:

Observation: The District's financial conditions are deteriorating. Due to non-payment of assessments during the current and prior fiscal years, certain scheduled debt service payments were made, in part, by draws on the Debt Service Reserve Account. Also, certain scheduled debt service payments were not made. In addition, the debt service fund reported a deficit fund balance of (\$572,084) at September 30, 2012. Further, the District has outstanding payables over 90 days.

Recommendation: The District should take the necessary steps to alleviate the deteriorating financial condition.

Management Response: The District was put into a deteriorating condition due to several years of un-paid assessments relating to the lots that were sold to Lennar recently. Now that these lots are owned by a developer that will make regular payments, the CDD will be able to emerge from financial hardship.

2012-03 Audit Report Filing:

Observation: The District has not filed copies of the audit reports for the fiscal year ended September 30, 2010, 2011, or 2012 required to be submitted pursuant to Florida Statutes with the Auditor General of the State of Florida pursuant to Rule 10.558(3).

Recommendation: The District should file the annual audit report within 45 days after delivery of the audit report but no later than 9 months after the end of the fiscal year of the District.

Management Response: The District did not meet their required filing date for the audit report- the District had several on-going issues pertaining to default on the bonds and the management company and Board felt that engaging the auditor towards the end of this process would simplify the process and yield the most cost-benefit as well as accurate financial reporting and disclosures. Now that the District has resolved these issues and the fiscal year ended September 30, 2012 audit is completed all future audits should be filed on time.

2012-04 Budget:

Observation: Actual expenditures exceeded appropriations in the general fund for the fiscal year ended September 30, 2012.

Recommendation: The District should amend the budget during the fiscal year to ensure that all expenditures are properly budgeted.

REPORT TO MANAGEMENT (Continued)

Management Response: Expenses in general fund exceeded budgeted amounts for the fiscal year ended September 30, 2012 due to the construction of the new amenity center as well as legal fees related to the recent sale to Lennar. The Board had not anticipated the increased expenses when the fiscal year 2012 budget was put into place.

With all the ongoing issues the Board did not have enough time to amend the budget to include the use of prior year reserves to make up for the excess in expenses.

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

2010-01, 2011-01 Reserve Requirement:

Current status: See finding no. 2012-01 above.

2010-02, 2011-02 Financial Condition Assessment:

Current Status: See finding no. 2012-02 above.

2011-03 Audit Report Filing:

Current Status: See finding no. 2012-03 above.

2011-04 Budget:

Current Status: See finding no. 2012-04 above.

III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2011, except as noted above.

2. A statement as to whether or not the local governmental entity complied with Section 218.415, Florida Statutes, regarding the investment of public funds.

The District complied with Section 218.415, Florida Statutes, regarding the investment of public funds.

3. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2012, except as noted above.

4. Violations of 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 more than inconsequential.

REPORT TO MANAGEMENT (Continued)

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2012, except as noted above.

5. For matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors, the following may be reported based on professional judgment:
 - a. Violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse.
 - b. Deficiencies in internal control that are not significant deficiencies.

There were no such matters discovered by, or that came to the attention of, the auditor, that, in our judgment, are required to be reported, for the fiscal year ended September 30, 2012, except as noted above.

6. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.
7. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2012 financial audit report.
8. In connection with our audit, we determined that the District has met one or more of the financial emergency conditions described in Section 218.503 (1), Florida Statutes. Certain debt service payments were not made during the fiscal year ended September 30, 2012. Further, the District has outstanding payables over 90 days. We applied financial condition assessment procedures pursuant to Rule 10.556(7) and determined that a deteriorating financial condition was noted. See Findings section above for additional information. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

