

**RIVERS EDGE
COMMUNITY DEVELOPMENT DISTRICT
ST. JOHNS COUNTY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2013**

**RIVERS EDGE COMMUNITY DEVELOPMENT DISTRICT
ST. JOHNS 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 Position | 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 Position | 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 Financial Statements | 13-22 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund | 23 |
| Notes to Required Supplementary Information | 24 |
| INDEPENDENT AUDITOR'S 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> | 25-26 |
| MANAGEMENT LETTER REQUIRED BY CHAPTER 10.550 OF THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA | 27-28 |



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
Rivers Edge Community Development District
St. Johns County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Rivers Edge Community Development District, St. Johns County, Florida ("District") as of and for the fiscal year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above 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, 2013, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, in fiscal year 2013, the District adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*.

Other Matters

Required Supplementary Information

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the District's internal control over financial reporting and compliance.

June 23, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Rivers Edge Community Development District, St. Johns County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2013. 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 assets of the District exceeded its liabilities at the close of the most recent fiscal year resulting in a net position balance of \$59,556,365.
- The change in the District's total net position in comparison with the prior fiscal year was \$6,123,038, an increase. The key components of the District's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2013, the District's governmental funds reported combined ending fund balances of \$1,681,125, a decrease of (\$20,023,059) in comparison with the prior fiscal year. A portion of fund balance is restricted for debt service and capital projects, non-spendable for prepaid items and deposits, and (\$2,751) are unassigned, deficit general fund balance.
- During fiscal year 2013, the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board ("FASB") and American Institute of Certified Public Accountants ("AICPA") Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Please see New Accounting Standards Adopted in Note 2 of the financial statements for additional information.

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 position presents information on all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual amount being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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 assessments and Developer revenues. The District does not have any business-type activities. The governmental activities of the District include the general government (management) and maintenance functions.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Fund Financial Statements

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

Governmental Funds

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

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

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

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

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

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

| | NET POSITION | |
|-------------------------------------|---------------|---------------|
| | SEPTEMBER 30, | |
| | 2013 | 2012 |
| Current and other assets | \$ 2,764,948 | \$ 22,692,950 |
| Capital assets, net of depreciation | 71,177,713 | 65,364,988 |
| Total assets | 73,942,661 | 88,057,938 |
| Current liabilities | 1,437,005 | 1,356,915 |
| Long-term liabilities | 12,949,291 | 32,749,291 |
| Total liabilities | 14,386,296 | 34,106,206 |
| Net position | | |
| Net investment in capital assets | 58,228,422 | 33,212,037 |
| Restricted | 1,315,748 | 20,722,442 |
| Unrestricted | 12,195 | 17,253 |
| Total net position | \$ 59,556,365 | \$ 53,951,732 |

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's net position 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.

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the District's other obligations.

The District's net position increased during the most recent fiscal year. The majority of the increase represents the extent to which ongoing program revenues exceeded the cost of operations and depreciation expense.

Key elements of the change in the District's net position are reflected in the following table:

| CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED SEPTEMBER 30, | | |
|--|----------------------|----------------------|
| | 2013 | 2012 |
| Revenues: | | |
| Program revenues | | |
| Charges for services | \$ 1,333,871 | \$ 21,206,538 |
| Operating grants and contributions | 419,397 | 354,677 |
| Capital grants and contributions | 6,407,592 | 705,471 |
| General revenues | | |
| Miscellaneous revenues | 29,794 | - |
| Total revenues | <u>8,190,654</u> | <u>22,266,686</u> |
| Expenses: | | |
| General government | 143,088 | 162,940 |
| Infrastructure and maintenance costs | 940,547 | 2,470,258 |
| Interest | 983,981 | 2,230,032 |
| Total expenses | <u>2,067,616</u> | <u>4,863,230</u> |
| Change in net position | <u>6,123,038</u> | <u>17,403,456</u> |
| Net position - beginning, previously stated | 53,951,732 | 36,548,276 |
| Effect of adoption of GASB No. 65 (Note 2) | (518,405) | - |
| Net position - beginning, as restated | <u>53,433,327</u> | <u>36,548,276</u> |
| Net position - ending | <u>\$ 59,556,365</u> | <u>\$ 53,951,732</u> |

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2013 was \$2,067,616. The costs of the District's activities were funded by program revenues. Program revenues, comprised primarily of assessments and Developer contributions, decreased from the prior fiscal year as the Developer prepaid \$18,344,693 of its Series 2008B Special Assessments in the prior fiscal year. The majority of the change in expenses results from the decrease in interest. Based on the amortization schedule of the Bonds, as the balance outstanding of the Bonds decreases over time, the portion of each debt service payment allocated to principal increases accordingly thereby decreasing the amount allocated to interest.

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 did not exceed appropriations for the fiscal year ended September 30, 2013.

Actual general fund expenditures for the fiscal year ended September 30, 2013 were less than appropriations due primarily to anticipated costs which were not incurred in the current fiscal year. Accordingly, Developer contributions were less than budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2013, the District had \$73,612,191 invested in land and land improvements, infrastructure under construction and drainage, streetlighting and road infrastructure for its governmental activities. In the government-wide financial statements, depreciation of \$2,434,478 has been taken, which resulted in a net book value of \$71,177,713. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Capital Debt

At September 30, 2013, the District had \$12,720,000 in Bonds outstanding and a liability due to the Developer of \$229,291 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

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 maintenance and operations costs will increase for fiscal year 2014; accordingly, operating and maintenance assessments are also expected to increase.

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 Rivers Edge Community Development District's Finance Department at 475 West Town Place, Suite 114, St. Augustine, Florida 32092.

**RIVERS EDGE COMMUNITY DEVELOPMENT DISTRICT
ST. JOHNS COUNTY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

| | Governmental Activities |
|----------------------------------|----------------------------|
| ASSETS | |
| Cash | \$ 26,647 |
| Due from Developer | 811,978 |
| Due from Homeowners Association | 20,783 |
| Assessments receivable | 187,046 |
| Deposits and prepaids | 7,728 |
| Restricted assets: | |
| Investments | 1,710,766 |
| Capital assets: | |
| Nondepreciable | 54,716,023 |
| Depreciable, net | 16,461,690 |
| Total assets | 73,942,661 |
| LIABILITIES | |
| Accounts payable | 80,103 |
| Contracts and retainage payable | 996,502 |
| Accrued interest payable | 360,400 |
| Non-current liabilities: | |
| Due within one year | 200,000 |
| Due in more than one year | 12,749,291 |
| Total liabilities | 14,386,296 |
| NET POSITION | |
| Net investment in capital assets | 58,228,422 |
| Restricted for debt service | 1,258,715 |
| Restricted for capital projects | 57,033 |
| Unrestricted | 12,195 |
| Total net position | \$ 59,556,365 |

See notes to the financial statements

**RIVERS EDGE COMMUNITY DEVELOPMENT DISTRICT
ST. JOHNS COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

| <u>Functions/Programs</u> | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | |
|---|------------------|----------------------------|--|---|----------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Primary government: | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 143,088 | \$ - | \$ 418,911 | \$ - | \$ 275,823 |
| Infrastructure and maintenance costs | 940,547 | - | - | 6,407,592 | 5,467,045 |
| Interest on long-term debt | 983,981 | 1,333,871 | 486 | - | 350,376 |
| Total governmental activities | 2,067,616 | 1,333,871 | 419,397 | 6,407,592 | 6,093,244 |
| General revenues: | | | | | |
| Miscellaneous revenues | | | | | 29,794 |
| Total general revenues | | | | | 29,794 |
| Change in net position | | | | | 6,123,038 |
| Net position - beginning, previously stated | | | | | 53,951,732 |
| Effect of adoption of GASB No. 65 (Note 2) | | | | | (518,405) |
| Net position - beginning, as restated | | | | | 53,433,327 |
| Net position - ending | | | | | \$ 59,556,365 |

See notes to the financial statements

**RIVERS EDGE COMMUNITY DEVELOPMENT DISTRICT
ST. JOHNS COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

| | Major Funds | | | Total Governmental Funds |
|--|------------------|---------------------|---------------------|--------------------------------|
| | General | Debt Service | Capital Projects | |
| ASSETS | | | | |
| Cash | \$ 15,003 | \$ 11,644 | \$ - | \$ 26,647 |
| Investments | - | 1,420,425 | 290,341 | 1,710,766 |
| Assessments receivable | - | 187,046 | - | 187,046 |
| Due from Developer | 48,784 | - | 763,194 | 811,978 |
| Due from Homeowners Association | 20,783 | - | - | 20,783 |
| Deposits and prepaids | 7,728 | - | - | 7,728 |
| Total assets | <u>\$ 92,298</u> | <u>\$ 1,619,115</u> | <u>\$ 1,053,535</u> | <u>\$ 2,764,948</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 80,103 | \$ - | \$ - | \$ 80,103 |
| Contracts and retainage payable | - | - | 996,502 | 996,502 |
| Total liabilities | <u>80,103</u> | <u>-</u> | <u>996,502</u> | <u>1,076,605</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue | 7,218 | - | - | 7,218 |
| Total deferred inflows of resources | <u>7,218</u> | <u>-</u> | <u>-</u> | <u>7,218</u> |
| Fund balances: | | | | |
| Nonspendable: | | | | |
| Deposits and prepaids | 7,728 | - | - | 7,728 |
| Restricted for: | | | | |
| Debt service | - | 1,619,115 | - | 1,619,115 |
| Capital projects | - | - | 57,033 | 57,033 |
| Unassigned | (2,751) | - | - | (2,751) |
| Total fund balances | <u>4,977</u> | <u>1,619,115</u> | <u>57,033</u> | <u>1,681,125</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 92,298</u> | <u>\$ 1,619,115</u> | <u>\$ 1,053,535</u> | <u>\$ 2,764,948</u> |

See notes to the financial statements

**RIVERS EDGE COMMUNITY DEVELOPMENT DISTRICT
ST. JOHNS COUNTY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

Fund balance - governmental funds \$ 1,681,125

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

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 position includes those capital assets, net of applicable accumulated depreciation, in the net position of the government as a whole.

| | | |
|--------------------------|--------------------|------------|
| Cost of capital assets | 73,612,191 | |
| Accumulated depreciation | <u>(2,434,478)</u> | 71,177,713 |

| | | |
|--|--|-------|
| Assets recorded in the governmental fund financial statements that are not available to pay for current-period expenditures are unavailable revenue in the governmental funds. | | 7,218 |
|--|--|-------|

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 financial statements.

| | | |
|---|---------------------|-----------------------------|
| Accrued interest payable | (360,400) | |
| Developer advances | (229,291) | |
| Bonds payable | <u>(12,720,000)</u> | <u>(13,309,691)</u> |
| Net position of governmental activities | | <u><u>\$ 59,556,365</u></u> |

See notes to the financial statements

**RIVERS EDGE COMMUNITY DEVELOPMENT DISTRICT
ST. JOHNS COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

| | Major Funds | | | Total Governmental Funds |
|--|-----------------|---------------------|---------------------|--------------------------------|
| | General | Debt Service | Capital Projects | |
| REVENUES | | | | |
| Assessments | \$ - | \$ 1,333,871 | \$ - | \$ 1,333,871 |
| Developer contributions | 418,911 | - | 6,038,084 | 6,456,995 |
| Contribution from other governments | - | - | 282,590 | 282,590 |
| Miscellaneous revenues | 22,576 | - | - | 22,576 |
| Interest | - | 486 | 21 | 507 |
| Total revenues | <u>441,487</u> | <u>1,334,357</u> | <u>6,320,695</u> | <u>8,096,539</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 143,088 | - | - | 143,088 |
| Maintenance and operations | 310,675 | - | - | 310,675 |
| Debt service: | | | | |
| Principal | - | 19,800,000 | - | 19,800,000 |
| Interest | - | 1,522,138 | - | 1,522,138 |
| Capital outlay | - | - | 6,343,697 | 6,343,697 |
| Total expenditures | <u>453,763</u> | <u>21,322,138</u> | <u>6,343,697</u> | <u>28,119,598</u> |
| Excess (deficiency) of revenues over (under) expenditures | (12,276) | (19,987,781) | (23,002) | (20,023,059) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | 14,103 | 14,103 |
| Transfers out | - | (14,103) | - | (14,103) |
| Total other financing sources (uses) | <u>-</u> | <u>(14,103)</u> | <u>14,103</u> | <u>-</u> |
| Net change in fund balances | (12,276) | (20,001,884) | (8,899) | (20,023,059) |
| Fund balances - beginning | <u>17,253</u> | <u>21,620,999</u> | <u>65,932</u> | <u>21,704,184</u> |
| Fund balances - ending | <u>\$ 4,977</u> | <u>\$ 1,619,115</u> | <u>\$ 57,033</u> | <u>\$ 1,681,125</u> |

See notes to the financial statements

**RIVERS EDGE COMMUNITY DEVELOPMENT DISTRICT
ST. JOHNS 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, 2013**

| | |
|--|-----------------|
| Net change in fund balances- total governmental funds | \$ (20,023,059) |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Depreciation of capital assets is not recognized in the governmental fund financial statements but is reported as an expense in the statement of activities. | (629,872) |
| Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is eliminated and capitalized in the statement of net position. | 6,343,697 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental fund financial statements. | 7,218 |
| Certain revenues were unavailable for the fund financial statements in the prior fiscal year. In the current fiscal year, these revenues were recorded in the governmental fund financial statements. | (12,003) |
| The statement of activities reports noncash contributions as revenues but these revenues are not reported in the fund financial statements. | 98,900 |
| Repayments of long-term liabilities including Developer advances, are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities. | 19,800,000 |
| The change in accrued interest between the current and prior year is recorded in the statement of activities but not in the governmental fund financial statements. | 538,157 |
| Changes in net position of governmental activities | \$ 6,123,038 |

See notes to the financial statements

**RIVERS EDGE COMMUNITY DEVELOPMENT DISTRICT
ST. JOHNS COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - NATURE OF ORGANIZATION AND REPORTING ENTITY

Rivers Edge Community Development District ("District") was created on November 1, 2006 by Rule 42FFF-1.001, Florida Administrative Code, adopted by the Florida Land & Water Adjudicatory Commission, pursuant to the Uniform Community Development District Act of 1980, and 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 purposes 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 by the owners of the property within the District. The Board exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes. At September 30, 2013, three of the Board members are affiliated with St. Joe Company ("Developer").

The Board has the responsibility for, among other things:

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

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District 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 position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment. (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 benefitted property within the District. Operating and maintenance assessments are based upon the adopted budget and levied annually at a public hearing of the District. Debt service assessments are levied when Bonds are issued and collected on an annual basis. The District may collect assessments directly or utilize the uniform method of collection under Florida Statutes. Direct collected assessments are due as determined by annual assessment resolution adopted by the Board of Supervisors. Assessments collected under the uniform method are mailed by the County Tax Collector on November 1 and due on or before March 31 of each year. Property owners may prepay a portion or all of the debt service assessments on their property subject to various provisions in the Bond documents.

Assessments and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The portion of assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

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.

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)

New Accounting Standards Adopted

During fiscal year 2013, the District adopted three new accounting standards as follows:

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

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

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

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

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

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

The implementation of GASB 65 resulted in the write off of Bond issuance costs and the effect of adoption of GASB 65 is the reduction of beginning net position by \$518,405 of the governmental activities. The effect on fiscal year 2012 had the implementation of GASB 65 occurred earlier would have resulted in a decrease in expenses of the governmental activities by \$20,396.

Assets, Liabilities and Net Position 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 and cash equivalents are considered to be cash on hand and demand deposits.

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. 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 Inter-local 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.

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Deposits and Investments (Continued)

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

Prepaid Items

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

Capital Assets

Capital assets which include property, plant and equipment, and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the government 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.

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> |
|-------------------------------|--------------|
| Infrastructure – drainage | 30 |
| Infrastructure – roads | 30 |
| Infrastructure – streetlights | 30 |
| Infrastructure – other | 30 |

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.

Unearned Revenue

Governmental funds report unearned revenue 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 position. Bond premiums and discounts are deferred and amortized over the life of the Bonds. Bonds payable are reported net of applicable premiums or discounts. Bond issuance costs are expensed when incurred.

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 debt service expenditures.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Deferred Outflows/Inflows of Resources

The statement of net position reports, as applicable, a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future reporting period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. For example, the District would record deferred outflows of resources related to debit amounts resulting from current and advance refundings resulting in the defeasance of debt (i.e. when there are differences between the reacquisition price and the net carrying amount of the old debt).

The statement of net position reports, as applicable, a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For example, when an asset is recorded in the governmental fund financial statements, but the revenue is not available, the District reports a deferred inflow of resources until such times as the revenue becomes available.

Fund Equity/Net Position

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 established by the Board of Supervisors 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.

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 position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position in the government-wide financial statements are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net position related to infrastructure and property, plant and equipment. Restricted net position represents the assets restricted by the District's Bond covenants or other contractual restrictions. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

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 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) A public hearing is conducted to obtain public 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, subject to the terms of the District's annual appropriation resolution.
- 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.

Investments

The District's investments were held as follows at September 30, 2013:

| | Fair Value | Credit Risk | Weighted Average Maturity |
|---------------------------------------|---------------------|-------------|--|
| First American Govt Oblig Fund - CI Z | \$ 1,710,766 | S&P AAAM | Weighted average of the fund portfolio: 51 days |
| | <u>\$ 1,710,766</u> | | |

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, nor is it required to.

However, the Bond Indenture limits the type of investments held using unspent proceeds and the District was compliant with these limits.

NOTE 5 - CAPITAL ASSETS

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

| | Beginning Balance | Additions | Reductions | Ending Balance |
|--|----------------------|--------------|------------|-------------------|
| <u>Governmental activities</u> | | | | |
| Capital assets, not being depreciated | | | | |
| Land and land improvements | \$ 17,841,080 | \$ - | \$ - | \$ 17,841,080 |
| Infrastructure under construction | 30,432,346 | 6,442,597 | - | 36,874,943 |
| Total capital assets, not being depreciated | 48,273,426 | 6,442,597 | - | 54,716,023 |
| Capital assets, being depreciated | | | | |
| Infrastructure - drainage | 7,144,834 | - | - | 7,144,834 |
| Infrastructure - roads | 11,404,091 | - | - | 11,404,091 |
| Infrastructure - streetlights | 168,635 | - | - | 168,635 |
| Infrastructure - other | 178,608 | - | - | 178,608 |
| Total capital assets, being depreciated | 18,896,168 | - | - | 18,896,168 |
| Less accumulated depreciation for: | | | | |
| Infrastructure - drainage | 696,778 | 238,161 | - | 934,939 |
| Infrastructure - roads | 1,100,696 | 380,136 | - | 1,480,832 |
| Infrastructure - streetlights | 5,502 | 5,621 | - | 11,123 |
| Infrastructure - other | 1,630 | 5,954 | - | 7,584 |
| Total accumulated depreciation | 1,804,606 | 629,872 | - | 2,434,478 |
| Total capital assets, being depreciated, net | 17,091,562 | (629,872) | - | 16,461,690 |
| Governmental activities capital assets | \$ 65,364,988 | \$ 5,812,725 | \$ - | \$ 71,177,713 |

The total estimated cost for the capital improvements is approximately \$379,181,000. The improvements will include, but are not limited to, drainage and stormwater systems, roadways, utilities, landscape, and recreational facilities. In the current fiscal year, improvements totaling approximately \$98,900 were conveyed to the District. In the prior fiscal year, the construction of certain improvements was completed and infrastructure improvements totaling \$1,644,033 were conveyed from the District to other entities for ownership and maintenance responsibilities. Additionally, other improvements were conveyed to JEA and St. Johns County in prior fiscal years.

The capital improvements will be funded by the issuance of debt and the Developer. More detailed information about capital debt is discussed in Note 6 – Long Term Liabilities.

In a prior fiscal year, the District entered into an interlocal agreement with St. John's County and Jacksonville Electric Authority ("JEA") for cost sharing of certain intersection improvements. Pursuant to the agreement, the County and JEA will reimburse District as the project progresses. As of September 30, 2013, the District has received a total of \$6,065,318 from the County. The District did not receive any money from the County in the current fiscal year. As of September 30, 2013, the District has received a total of \$12,592,103 from JEA, of which \$282,590 was recorded as revenue in the current fiscal year.

At September 30, 2013, there is a balance of \$38,002 in the deferred cost account. The District has not yet determined if a liability exists for deferred obligations.

Depreciation expense was charged to the maintenance and operations function.

NOTE 6 - LONG TERM LIABILITIES

Series 2008

On or about March 1, 2008, the District issued \$13,980,000 of Capital Improvement Revenue Bonds, Series 2008A and \$19,350,000 Series 2008B. The Series 2008A Bonds are due May 1, 2038 with a fixed interest rate of 6.8% and the Series 2008B Bonds are due May 1, 2017 with a fixed interest rate of 6.9%. 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. The principal on the Series 2008A Bonds is to be paid serially on each May 1, 2009 through May 1, 2038 and the principal on the Series 2008B Bonds is to be paid in one lump sum on May 1, 2017. During the current fiscal year, the District prepaid the entire balance of the Series 2008B Bonds.

The Series 2008A 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. This occurred during the current fiscal year as District collected prepaid assessments and prepaid \$260,000 of the Series 2008A Bonds. See Note 14 -Subsequent Events for additional call amounts subsequent to the fiscal year end.

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 in compliance with those requirements of the Bond Indenture at September 30, 2013.

Developer Advances for Debt Service and Construction

The District has entered into an agreement with the Developer whereby the Developer will advance funds to the District, with no interest accruing on the amounts, for required debt service payments and construction. As part of the agreement, the District will repay the Developer from subsequent issues of debt or special assessments imposed by the District, if any. In a prior year, the Developer provided advances totaling \$2,551,037, of which \$2,321,746 was reimbursed to the Developer. The balance due to the Developer at September 30, 2013 of \$229,291 is not included in the maturity schedule below.

Long-term debt activity

Changes in long-term liability activity for the fiscal year ended September 30, 2013 were as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--------------------------------|----------------------|-------------|----------------------|----------------------|------------------------|
| <u>Governmental activities</u> | | | | | |
| Bonds payable: | | | | | |
| Series 2008A | \$ 13,170,000 | \$ - | \$ 450,000 | \$ 12,720,000 | \$ 200,000 |
| Series 2008B | 19,350,000 | - | 19,350,000 | - | - |
| Due to Developer | 229,291 | - | - | 229,291 | - |
| Total | <u>\$ 32,749,291</u> | <u>\$ -</u> | <u>\$ 19,800,000</u> | <u>\$ 12,949,291</u> | <u>\$ 200,000</u> |

NOTE 6 - LONG TERM LIABILITIES (Continued)

At September 30, 2013, the scheduled debt service requirements on the long-term debt were as follows:

| Year ending September 30: | Governmental Activities | | |
|------------------------------|-------------------------|----------------------|----------------------|
| | Principal | Interest | Total |
| 2014 | \$ 200,000 | \$ 864,960 | \$ 1,064,960 |
| 2015 | 215,000 | 851,360 | 1,066,360 |
| 2016 | 230,000 | 836,740 | 1,066,740 |
| 2017 | 245,000 | 821,100 | 1,066,100 |
| 2018 | 260,000 | 804,440 | 1,064,440 |
| 2019-2023 | 1,615,000 | 3,729,460 | 5,344,460 |
| 2024-2028 | 2,270,000 | 3,097,400 | 5,367,400 |
| 2029-2033 | 3,195,000 | 2,207,960 | 5,402,960 |
| 2034-2038 | 4,490,000 | 957,440 | 5,447,440 |
| Total | <u>\$ 12,720,000</u> | <u>\$ 14,170,860</u> | <u>\$ 26,890,860</u> |

NOTE 7 - DEVELOPER TRANSACTIONS

The Developer owns a portion of land within the District; therefore, assessment revenues in the debt service fund include the assessments levied on those lots owned by the Developer.

Developer Funding

The Developer has agreed to fund the general operations of the District. In connection with that agreement, Developer contributions to the general fund were \$418,911, which includes a receivable of \$48,784 at September 30, 2013. The Developer has also agreed to finance a portion of the District's capital improvement costs. In connection with that agreement, Developer contributions to the capital projects fund were \$6,038,084, which includes a receivable of \$763,194 at September 30, 2013. In addition, subsequent to fiscal year end, the Developer provided \$1,092,220 of funding for the Series 2008 Project. Also, subsequent to fiscal year end, the District received \$277,399 from the Developer which was used to finance the November 1, 2013 and May 1, 2014 Series 2008A debt service payments.

NOTE 8 - TRI-PARTY FUNDING AGREEMENT

On July 1, 2013, the District entered into a tri-party agreement for landscape and irrigation maintenance services with the Developer and Rivertown Community Association, Inc. ("Association"). The agreement requires the District to pay for the costs of landscaping and maintenance irrigation services for land areas located within the boundaries of all three parties to the agreement, and for the Developer and the Association to reimburse the District for their proportionate share of those costs. For the fiscal year ended September 30, 2013, the reimbursement revenues were \$20,783 and \$9,011 from the Association and the Developer, respectively. Amounts receivable at September 30, 2013 from the Association and the Developer were \$20,783 and \$3,470, respectively.

NOTE 9 - COMMITMENTS

As of September 30, 2013, the District had open contracts for various construction projects. The contracts totaled approximately \$5,906,000, of which approximately \$577,000 was uncompleted at September 30, 2013.

NOTE 10 - CONCENTRATION

A significant portion of the District's activity is dependent upon the continued involvement of the Developer, the loss of which could have a material adverse effect on the District's operations.

NOTE 11 - 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. Under the agreement, the District compensates the management company for management, accounting, financial reporting, computer and other administrative costs.

NOTE 12 - 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 13 - LITIGATION, FINES AND CLAIMS

In April 2010, the District filed a twelve count complaint in the Seventh Judicial Circuit against Hill, Boring and Associates, Inc. ("Hill Boring"), and Susan West for breach of contract, negligent design and professional negligence. The Main Street Community Development District and the Developer are co-plaintiffs in the case. The lawsuit generally involves Hill Boring and Susan West's engineering work with respect to the design and construction supervision of infrastructure improvement related to County Road 223. On May 4, 2010, Hill Boring filed a Motion to Stay Pending Mediation pursuant to its agreement with the Developer. The parties engaged in mediation on January 13, 2011, which did not result in a settlement. See Note 13 for additional information subsequent to fiscal year end.

NOTE 14 - SUBSEQUENT EVENTS

Default on Construction Projects

In January 2014, the District sent notices of default under performance bonds for two separate District construction projects. The projects, RiverTown Landings and Lakes 1 Infrastructure, were both under contract with Sayar Enterprises, Inc. d/b/a Southern Development Corp ("Contractor"). The Contractor failed to meet milestone, substantial completion and final completion dates for both projects. As a result of the Contractor's default and inability to complete both projects, the District's Board authorized a formal notice of a claim for each project under the performance bonds. A conference with the Surety was held and an investigation into the claims was undertaken. A settlement agreement was reached and executed on March 26, 2014 that settled the claims under the bonds and provided the funding from the bonds necessary to complete the projects.

Litigations, Fines, and Claims

On June 18, 2014, the Board met at a public meeting and approved moving forward with voluntarily dismissing the case against Hill Boring. It is anticipated such actions will be taken in the near future.

Bond Payments

Subsequent to fiscal year end, the District prepaid \$145,000 of the Series 2008A Bonds. The prepayments were extraordinary mandatory redemption as outlined in the Bond Indenture.

**RIVERS EDGE COMMUNITY DEVELOPMENT DISTRICT
ST. JOHNS COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

| | Budgeted Amounts <u>Original & Final</u> | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|--|-------------------|--|
| REVENUES | | | |
| Developer contributions | \$ 487,684 | \$ 418,911 | \$ (68,773) |
| Miscellaneous revenues | - | 22,576 | 22,576 |
| Total revenues | 487,684 | 441,487 | (46,197) |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 147,075 | 143,088 | 3,987 |
| Maintenance and operations | 340,609 | 310,675 | 29,934 |
| Total expenditures | 487,684 | 453,763 | 33,921 |
| Excess (deficiency) of revenues over (under) expenditures | \$ - | (12,276) | \$ (12,276) |
| Fund balance - beginning | | 17,253 | |
| Fund balance - ending | | \$ 4,977 | |

See notes to required supplementary information

**RIVERS EDGE COMMUNITY DEVELOPMENT DISTRICT
ST. JOHNS 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 did not exceed appropriations for the fiscal year ended September 30, 2013. The actual general fund expenditures for the 2013 fiscal year were lower than budgeted amounts due primarily to anticipated costs which were not incurred in the current fiscal year. Accordingly, Developer contributions were less than budgeted amounts.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Supervisors
Rivers Edge Community Development District
St. Johns County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Rivers Edge Community Development District, St. Johns County, Florida ("District") as of and for the fiscal year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated June 23, 2014, which includes an emphasis of matter paragraph.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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. 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

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.

June 23, 2014



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

To the Board of Supervisors
Rivers Edge Community Development District
St. Johns County, Florida

We have audited the accompanying basic financial statements of Rivers Edge Community Development District, St. Johns County, Florida ("District") as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated June 23, 2014, which includes an emphasis of matter paragraph.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *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 Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards* and Chapter 10.550, Rules of the Florida Auditor General dated June 23, 2014. 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.**

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, as applicable, management, and the Board of Supervisors of Rivers Edge Community Development District, St. Johns County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Rivers Edge Community Development District, St. Johns 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.

June 23, 2014

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. PRIOR YEAR FINDINGS

None

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, 2012.

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, 2013.

4. 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.

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, 2013.

5. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.

6. 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, 2013 financial audit report.

7. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.

8. We applied financial condition assessment procedures pursuant to Rule 10.556(7) and no deteriorating financial conditions were noted as of September 30, 2013. 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.