

**RIVER GLEN  
COMMUNITY DEVELOPMENT DISTRICT  
NASSAU COUNTY, FLORIDA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2015**

**RIVER GLEN COMMUNITY DEVELOPMENT DISTRICT  
NASSAU COUNTY, FLORIDA**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
River Glen Community Development District  
Nassau County, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of River Glen Community Development District, Nassau County, Florida ("District") as of and for the fiscal year ended September 30, 2015, 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.

### Basis for Adverse Opinion on Special Purpose Entity Fund and Qualified Opinion on Governmental Activities

As discussed in Note 9 to the financial statements, management has not recorded the land held for sale by the special purpose entity fund, (a special revenue fund that accounts for the activities of the special purpose entity ("SPE")), a blended component unit of the District. Accounting principles generally accepted in the United States of America require that land held for resale be recorded as an asset in the fund financial statements, thus increasing the assets and net position of the governmental activities. The amount by which this departure would affect the assets and fund balance of the special purpose entity fund, and the assets and net position of the governmental activities has not been determined.

### **Basis for Qualified Opinion on the Debt Service Fund**

The District was unable to provide sufficient competent evidential matter for certain expenditures paid for by the Trustee from the debt service fund. The financial information of the debt service fund is part of the governmental activities and is considered a major fund.

### **Adverse Opinion**

In our opinion, because of the significance of the matter described in the “Basis for Adverse Opinion on Special Purpose Entity Fund and Qualified Opinion on Governmental Activities” paragraph, the financial statements referred to above do not present fairly the financial position of the special purpose entity fund of the District, as of September 30, 2015, or the changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Qualified Opinions**

In our opinion, except for the possible effects of the matters discussed in the “Basis for Adverse Opinion on Special Purpose Entity Fund and Qualified Opinion on Governmental Activities” paragraph and the “Basis for Qualified Opinion on the Debt Service Fund” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and debt service fund of the District, as of September 30, 2015, and the changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund and the capital projects fund of the District as of September 30, 2015, 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 Matters**

As discussed in Note 7 and other notes to the basic financial statements, the District’s financial conditions continue to deteriorate. The Developer did not pay its share of assessments in prior fiscal years. As a result, certain scheduled debt service payments in prior fiscal years were made, in part, by draws on the Debt Service Reserve Account. In addition, the District did not have sufficient funds to make certain scheduled debt service payments in prior, current, or subsequent fiscal years and, as a result, the payments were not made. The District’s inability to make its scheduled debt service payments when they are due is considered events of default. Additionally, certain default related expenditures were paid from the trust accounts. As a result of these events, the debt service fund had a deficit fund balance of (\$2,717,649) at September 30, 2015. Furthermore, the District and the Trustee, on behalf of the Bondholders, formed a SPE which took title to the Developer’s property in a foreclosure sale. The SPE is funding a portion of the general operations of the District through advances from the Bondholders and funds from the Trust Estates. Our opinion is not modified with respect to this matter.

## **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 24, 2016, 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.

### **Report on Other Legal and Regulatory Requirements**

We have also issued our report dated June 24, 2016, on our consideration of the District's compliance with the requirements of Section 218.415, Florida Statutes, as required by Rule 10.556(10) of the Auditor General of the State of Florida. The purpose of that report is to provide an opinion based on our examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.



June 24, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of River Glen Community Development District, Nassau County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2015. 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 position deficit balance of (\$9,083,574).
- The change in the District's total net position in comparison with the prior fiscal year was (\$951,147), a decrease. 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, 2015, the District's governmental funds reported combined ending deficit fund balances of (\$2,446,042), a decrease of (\$505,747) in comparison with the prior fiscal year. A portion of fund balance is restricted for capital projects, non-spendable for prepaid items and deposits, deficit unassigned fund balance of (\$2,717,649) in the debt service fund, \$15,002 assigned to reserves, 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 is 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 distinguish functions of the District that are principally supported by assessment 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. All of the funds of the District can be attributed to one 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 balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains four 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 fund, debt service fund and capital projects fund, all of which are considered to be major funds. The District uses a special revenue fund to account for the SPE and its operations, which is also considered a major fund of the District.

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, liabilities exceeded assets at the close of the most recent fiscal year.

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	NET POSITION	
	SEPTEMBER 30,	
	2015	2014
Current and other assets	\$ 1,568,824	\$ 1,320,691
Capital assets, net of depreciation	4,161,481	4,494,763
Total assets	5,730,305	5,815,454
Current liabilities	4,250,806	3,496,926
Long-term liabilities	10,563,073	10,450,955
Total liabilities	14,813,879	13,947,881
Net position		
Net investment in capital assets	(3,429,195)	(3,012,809)
Restricted for:		
Capital projects	1,396	-
Unrestricted	(5,655,775)	(5,119,618)
Total net position	\$ (9,083,574)	\$ (8,132,427)

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

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

	CHANGES IN NET POSITION	
	FOR THE FISCAL YEAR ENDED SEPTEMBER 30,	
	2015	2014
Revenues:		
Program revenues		
Charges for services	\$ 379,790	\$ 379,548
Operating grants and contributions	224	202
General revenues		
Unrestricted investment earnings	19	-
Miscellaneous	2,311	2,028
Total revenues	382,344	381,778
Expenses:		
General government	248,801	156,867
Physical environment	174,780	183,346
Roads and streets	163,278	164,050
Culture and recreation	177,621	154,592
Interest on long-term debt	569,011	568,576
Total expenses	1,333,491	1,227,431
Change in net position	(951,147)	(845,653)
Net position - beginning	(8,132,427)	(7,286,774)
Net position - ending	\$ (9,083,574)	\$ (8,132,427)

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2015 was \$1,333,491. The costs of the District's activities were partially funded by program revenues. As in the prior fiscal year, program revenues are comprised primarily of assessments. A portion of the District's operations were also funded by advances made by the Bondholders. In total, expenses, including depreciation, increased from the prior fiscal year primarily due to an increase in the SPE's expenses.



## 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, 2015 were less than appropriations due primarily to anticipated costs which were not incurred in the current fiscal year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At September 30, 2015, the District had \$6,574,307 invested in infrastructure improvements, clubhouse, and furniture and equipment for its governmental activities. In the government-wide financial statements, depreciation of \$2,412,826 has been taken, which resulted in a net book value of \$4,161,481. More detailed information about the District's capital assets is presented in the notes to the financial statements.

### Capital Debt

At September 30, 2015, the District had \$9,220,000 in Bonds outstanding for its governmental activities. The District also had a balance on Bondholder Advances of \$1,370,453 at September 30, 2015. In addition, matured debt service obligations of \$4,001,281 are included in Due to Bondholders amount at September 30, 2015. More detailed information about the District's debt is presented in the accompanying notes to 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 general operations of the District will remain fairly constant.

As discussed in the notes to the basic financial statements, the District's financial conditions continue to deteriorate. The District formed an SPE and foreclosed on certain Developer property for which there was a significant delinquent assessment in prior fiscal years. In addition, in the prior, current, and subsequent fiscal years, certain scheduled debt service payments were not made. As a result, the District declared an event of default in accordance with the Series 2006 Bond Indenture which allowed the District to pay certain significant trustee, legal, and other professional fees incurred in association with the default using funds available in the trust accounts.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide 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 Glen Community Development District's Finance Department at 3434 Colwell Avenue, Suite 200, Tampa Florida, 33614.

## **FINANCIAL STATEMENTS**

**RIVER GLEN COMMUNITY DEVELOPMENT DISTRICT  
NASSAU COUNTY, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015**

	Governmental Activities
<b>ASSETS</b>	
Cash	\$ 268,662
Investments	17
Prepaid items and deposits	9,517
Due from Bondholder	5,600
Restricted assets:	
Investments	1,285,028
Capital assets	
Depreciable assets, net	4,161,481
Total assets	5,730,305
 <b>LIABILITIES</b>	
Accounts payable	12,385
Deposits	1,200
Accrued interest payable	235,940
Due to Bondholders:	
Principal	1,170,000
Interest	2,831,281
Non-current liabilities:	
Due within one year	205,000
Due in more than one year	10,358,073
Total liabilities	14,813,879
 <b>NET POSITION</b>	
Net investment in capital assets	(3,429,195)
Restricted for:	
Capital projects	1,396
Unrestricted	(5,655,775)
Total net position (deficit)	\$ (9,083,574)

See notes to the financial statements

**RIVER GLEN COMMUNITY DEVELOPMENT DISTRICT  
 NASSAU COUNTY, FLORIDA  
 STATEMENT OF ACTIVITIES  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	
Primary government:				
Governmental activities:				
General government	\$ 248,801	\$ 126,284	\$ -	\$ (122,517)
Physical environment	174,780	-	-	(174,780)
Roads and streets	163,278	-	-	(163,278)
Culture and recreation	177,621	-	-	(177,621)
Interest on long-term debt	569,011	253,506	224	(315,281)
Total governmental activities	1,333,491	379,790	224	(953,477)
General revenues:				
Unrestricted investment earnings				19
Miscellaneous				2,311
Total general revenues				2,330
Change in net position				(951,147)
Net position - beginning				(8,132,427)
Net position - ending				\$ (9,083,574)

See notes to the financial statements

**RIVER GLEN COMMUNITY DEVELOPMENT DISTRICT  
NASSAU COUNTY, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2015**

	Major Funds				Total Governmental Funds
	General	Debt Service	Capital Project	Special Purpose Entity	
<b>ASSETS</b>					
Cash	\$ 265,279	\$ -	\$ -	\$ 3,383	\$ 268,662
Investments	17	1,283,632	1,396	-	1,285,045
Due from Bondholders	-	-	-	5,600	5,600
Prepaid items and deposits	9,517	-	-	-	9,517
Total assets	<u>\$ 274,813</u>	<u>\$ 1,283,632</u>	<u>\$ 1,396</u>	<u>\$ 8,983</u>	<u>\$ 1,568,824</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 6,785	\$ -	\$ -	\$ 5,600	\$ 12,385
Deposits	1,200	-	-	-	1,200
Due to Bondholders	-	4,001,281	-	-	4,001,281
Total liabilities	<u>7,985</u>	<u>4,001,281</u>	<u>-</u>	<u>5,600</u>	<u>4,014,866</u>
Fund balances:					
Nonspendable:					
Prepaid items and deposits	9,517	-	-	-	9,517
Restricted for:					
Capital projects	-	-	1,396	-	1,396
Assigned to:					
Capital reserves	15,002	-	-	-	15,002
Unassigned	242,309	(2,717,649)	-	3,383	(2,471,957)
Total fund balances	<u>266,828</u>	<u>(2,717,649)</u>	<u>1,396</u>	<u>3,383</u>	<u>(2,446,042)</u>
Total liabilities and fund balances	<u>\$ 274,813</u>	<u>\$ 1,283,632</u>	<u>\$ 1,396</u>	<u>\$ 8,983</u>	<u>\$ 1,568,824</u>

See notes to the financial statements

**RIVER GLEN COMMUNITY DEVELOPMENT DISTRICT  
 NASSAU COUNTY, FLORIDA  
 RECONCILIATION OF THE BALANCE SHEET-  
 GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2015**

Total fund balances - governmental funds \$ (2,446,042)

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 any accumulated depreciation, in the net position of the government as a whole.

Cost of capital assets	6,574,307	
Accumulated depreciation	<u>(2,412,826)</u>	4,161,481

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	(235,940)	
Bondholder advance	(1,370,453)	
Bonds payable, net of discounts	<u>(9,192,620)</u>	(10,799,013)
Net position of governmental activities		<u><u>\$ (9,083,574)</u></u>

See notes to the financial statements

**RIVER GLEN COMMUNITY DEVELOPMENT DISTRICT  
 NASSAU COUNTY, FLORIDA  
 STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	Major Funds				Total Governmental Funds
	General	Debt Service	Capital Project	Special Purpose Entity	
<b>REVENUES</b>					
Assessments	\$ 126,284	\$ 253,506	\$ -	\$ -	\$ 379,790
Interest and other revenues	2,330	224	-	-	2,554
Total revenues	<u>128,614</u>	<u>253,730</u>	<u>-</u>	<u>-</u>	<u>382,344</u>
<b>EXPENDITURES</b>					
Current:					
General government	103,671	119,107	-	26,023	248,801
Physical environment	101,704	-	-	-	101,704
Roads and streets	24,149	-	-	-	24,149
Culture and recreation	56,544	-	-	-	56,544
Debt service:					
Principal	5,132	195,000	-	-	200,132
Interest	1,457	566,255	-	-	567,712
Total expenditures	<u>292,657</u>	<u>880,362</u>	<u>-</u>	<u>26,023</u>	<u>1,199,042</u>
Excess (deficiency) of revenues over (under) expenditures	(164,043)	(626,632)	-	(26,023)	(816,698)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer in (out)	216,165	(8)	8	(216,165)	-
Bondholder advances	-	62,500	-	248,451	310,951
Total other financing sources (uses)	<u>216,165</u>	<u>62,492</u>	<u>8</u>	<u>32,286</u>	<u>310,951</u>
Net change in fund balances	52,122	(564,140)	8	6,263	(505,747)
Fund balances - beginning	<u>214,706</u>	<u>(2,153,509)</u>	<u>1,388</u>	<u>(2,880)</u>	<u>(1,940,295)</u>
Fund balances - ending	<u>\$ 266,828</u>	<u>\$ (2,717,649)</u>	<u>\$ 1,396</u>	<u>\$ 3,383</u>	<u>\$ (2,446,042)</u>

See notes to the financial statements

**RIVER GLEN COMMUNITY DEVELOPMENT DISTRICT  
 NASSAU 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, 2015**

Net change in fund balances - total governmental funds	\$ (505,747)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report Bondholder advances as financial resources when cash is received, whereas these amounts are eliminated in the statement of activities and recognized as long-term liabilities in the statement of net position.	(310,951)
Repayment of long-term liabilities are reported as expenditures in the governmental fund financial statements, but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities.	200,132
Amortization of Bond discounts/premiums is not recognized in the governmental fund financial statements, but is reported as an expense in the statement of activities.	(1,299)
Depreciation of capital assets is not recognized in the governmental fund financial statements, but is reported as an expense in the statement of activities.	(333,282)
Change in net position of governmental activities	<u>\$ (951,147)</u>

See notes to the financial statements



**RIVER GLEN COMMUNITY DEVELOPMENT DISTRICT  
NASSAU COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY**

River Glen Community Development District ("District") was established on December 20, 2005 by Ordinance No. 2005-80 of Nassau County, Florida, 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 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 ("the Board"), which is composed of five members. The Supervisors are elected on an at large basis by the landowners of the District. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has the responsibility for:

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

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. Blended component units, although legally separate entities, are, in substance, part of the government's operations.

**Blended Component Unit**

The Special Purpose Entity (SPE) owns, manages, maintains, and will sell and dispose of property for the benefit of the Bondholders. The SPE is reported as a Special Revenue Fund.

**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.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Government-Wide and Fund Financial Statements (Continued)**

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*.

### **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 collected 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, including debt service assessments and operation and maintenance assessments, are non-ad valorem assessments imposed on all lands located within the District and benefitted by the District's activities. Operation and maintenance assessments are levied by the District prior to the start of the fiscal year which begins October 1<sup>st</sup> and ends on September 30<sup>th</sup>. Operation and maintenance special assessments are imposed upon all benefitted lands in the District. Debt service special assessments are imposed upon certain lots and lands described in each resolution imposing the special assessment for each series of Bonds issued by the District.

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.

The government 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 Project Fund**

The capital project fund is used to account for financial resources to be used for the acquisition or construction of major infrastructure within the District.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

#### Special Purpose Entity Fund

The special purpose entity fund is a special revenue fund that accounts for the activities of the SPE, a blended component unit of the government. The SPE owns, manages, and maintains, and will sell and dispose of property for the benefit of the Bondholders.

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.

### **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 on hand and demand deposits are considered to be cash and cash equivalents.

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 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.

In addition, surplus funds may be deposited into certificates of deposit which are insured. Any unspent proceeds are required to be held in investments allowed in as specified in the Bond Indenture.

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

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.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

#### 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.

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

Assets	Years
Roadways and Sidewalks	20
Stormwater Management System	25
Landscape and Signage	15
Amenity Center/Clubhouse Complex	20
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.

#### 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 ratably 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.

#### Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned.

#### Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future reporting period(s). For example, the District would record deferred outflows of resources on the statement of net position 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).

Deferred inflows of resources represent an acquisition of net position that applies to future reporting period(s). For example, when an asset is recorded in the governmental fund financial statements, but the revenue is unavailable, the District reports a deferred inflow of resources on the balance sheet until such times as the revenue becomes available.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

#### 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 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 appropriations 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, 2015:

	Fair Value	Credit Risk	Weighted Average Maturities
US Bank Money Market Account - Managed	\$ 1,285,028	Not rated	Not applicable
Investment in Local Government Surplus Funds Trust Fund (Florida PRIME)	17	S&P AAAM	29 days
Total Investments	<u>\$ 1,285,045</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.

The Bond indenture limits the type of investments held using unspent Bond proceeds.

## NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended September 30, 2015 were as follows:

Fund	Transfer in	Transfer out
General fund	\$ 216,165	\$ -
Debt service	-	8
Capital projects	8	-
Special purpose entity	-	216,165
Total	<u>\$ 216,173</u>	<u>\$ 216,173</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 special purpose entity fund to the general fund were to fund operations in accordance with the Tri-Party Agreement. See Note 9 for additional information.

## NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2015 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
<u>Governmental activities</u>				
Capital assets, being depreciated				
Roadways and Sidewalks	\$ 2,782,575	\$ -	\$ -	\$ 2,782,575
Stormwater Management System	922,396	-	-	922,396
Landscape and Signage	542,700	-	-	542,700
Amenity Center/Clubhouse Complex	2,294,995	-	-	2,294,995
Furniture and Equipment	31,641	-	-	31,641
Total capital assets, being depreciated	6,574,307	-	-	6,574,307
Less accumulated depreciation for:				
Roadways and Sidewalks	881,017	139,129	-	1,020,146
Stormwater Management System	233,639	36,896	-	270,535
Landscape and Signage	228,727	36,180	-	264,907
Amenity Center/Clubhouse Complex	724,777	114,750	-	839,527
Furniture and Equipment	11,384	6,327	-	17,711
Total accumulated depreciation	2,079,544	333,282	-	2,412,826
Total capital assets, being depreciated, net	4,494,763	(333,282)	-	4,161,481
Governmental activities capital assets, net	\$ 4,494,763	\$ (333,282)	\$ -	\$ 4,161,481

The infrastructure intended to serve the District has been estimated at a total cost of approximately \$16,690,000. The infrastructure will include roadways, stormwater management facilities, water and wastewater facilities and entry landscaping. A portion of the project was funded with proceeds of the Bonds and the remainder of the project, as well as any additional infrastructure, is to be funded by the Developer. The infrastructure improvements for phases 1 was completed and certain assets within the phase have been conveyed. The remainder of the project has been placed on hold.

At September 30, 2015, there is a balance of \$1,396 in the deferred cost account. The District has not yet determined if a liability exists for deferred obligations.

Depreciation expense was charged to function/programs as follows:

Governmental activities:	
Physical environment	\$ 73,076
Roads and streets	139,129
Culture and recreation	121,077
Total depreciation expense	<u>\$ 333,282</u>

## NOTE 7 – LONG-TERM LIABILITIES

### Series 2006

On November 1, 2006, the District issued \$10,390,000 of Capital Improvement Revenue Bonds, Series 2006 due on May 1, 2038 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, 2009 through May 1, 2038.

The Bonds are subject to redemption at the option of the District in whole or in part at anytime on or after May 1, 2016. The Bonds are also subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the Bond Registrar if certain events occur as outlined in the Bond Indenture.

## NOTE 7 – LONG-TERM LIABILITIES (Continued)

### Series 2006 (Continued)

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirement as defined in the Indenture. In addition, the Bond Indenture has certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements.

During prior 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 due during a prior fiscal year were made, in part, by a draw on the Debt Service Reserve Account. Additionally, as a result of delinquent assessments, the District did not have sufficient funds in the general fund to finance prior fiscal year operations; therefore, the funds needed to finance certain prior fiscal year expenditures were transferred from the Debt Service Reserve Account to cover the costs of the District's operations as well as to pay certain default related expenditures. As a result of these payments, there is a deficit of approximately \$376,000 in the Debt Service Reserve Account at September 30, 2015.

Furthermore, the District did not have sufficient funds to make certain scheduled debt service payments in current and prior fiscal years, and as a result, the payments were not made. As a result, in April 2009, the Bonds were declared in default. The amount has been accrued on the fund financial statements as due to Bondholders and reflects \$1,170,000 due for principal and \$2,831,281 due for interest. The inability of the District to pay its debt service is considered an event of default. See Note 14 for additional information subsequent to fiscal year end.

### Bondholder Advances

As discussed above, there were significant outstanding debt service assessments on Developer Property. As a result, the District foreclosed on the related property and formed a SPE to hold, manage, and dispose of the property. The District entered into a tri-party agreement, (see Note 9), under which the SPE, through available funds in the trust accounts and/or Bondholder advances would fund its portion of the general operations of the District. Total amount advanced by Bondholders at September 30, 2015 was \$1,370,453. Subsequent to the end of the fiscal year, the Bondholders advanced approximately \$141,000 to the SPE.

Changes in long-term liability activity for the fiscal year ended September 30, 2015 were as follows:

	Beginning Balance	Additions	Reductions*	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2006	\$ 9,415,000	\$ -	\$ 195,000	\$ 9,220,000	\$ 205,000
Less discount	(28,679)	-	(1,299)	(27,380)	-
Bondholder advance	1,059,502	310,951	-	1,370,453	-
Total	\$ 10,445,823	\$ 310,951	\$ 193,701	\$ 10,563,073	\$ 205,000

At September 30, 2015, the scheduled debt service requirements on the long-term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest*	Total
2016	\$ 205,000	\$ 3,386,903	\$ 3,591,903
2017	220,000	544,455	764,455
2018	230,000	532,465	762,465
2019	245,000	519,930	764,930
2020	255,000	506,578	761,578
2021-2025	1,510,000	2,307,803	3,817,803
2026-2030	1,990,000	1,847,278	3,837,278
2031-2035	2,615,000	1,239,603	3,854,603
2036-2038	1,950,000	375,778	2,325,778
Total	\$ 9,220,000	\$ 11,260,793	\$ 20,480,793



## **NOTE 8 – DEFICIT FUND EQUITY**

The debt service fund had a deficit fund balance of (\$2,717,649) at September 30, 2015. It is unclear how the deficit will be covered as the SPE has not sold any of the property held for sale to-date.

## **NOTE 9 – TRI-PARTY AGREEMENT AND SPECIAL PURPOSE ENTITY**

As discussed in Note 7, as a result of non-collection of assessments from the Developer in prior fiscal years, the District did not make certain debt service payments when due, which constitutes an event of default under the applicable trust indenture. In April 2009, an event of default was declared. The District initiated a foreclosure suit and was granted final judgment. The Property was sold at a foreclosure sale in June 2010 and the lien securing the debt service assessments on the property was released. As a result, the Property is the only remaining asset as an available source for the repayment of the extinguished liens. The Trustee, on behalf of the Bondholder, created or caused to be created a SPE to own, manage, and dispose of the Property subject to delinquent Series 2006 assessments. In June 2010, the District entered a Tri-Party Agreement with the Trustee and the SPE. The parties acknowledged that the funds to operate the SPE would be provided by the Trustee and the terms of the agreement. The District agreed not to impose annual maintenance assessments on the Property as long as funding is provided by the Trustee to fund the portion of the District's annual operating budget assigned to the Property. The Trustee agrees that it will use available funds on deposit in the Trust Estate, including proceeds from sale of all or a portion of the Property, to pay quarterly operating funding requests. The District remains liable with respect to the provisions of the trust indenture regarding principal and interest on the Bonds. In order to secure the payment and performance of the District's obligations under the Series 2006 Trust Indenture, the SPE delivered a mortgage securing such obligations. See Note 14 for additional information subsequent to fiscal year end.

Pursuant to the Bond Indenture, the Trustee, on behalf of the Bondholders, has access to the funds held on deposit in the trust accounts. Expenditures (legal fees, trustee fees, and SPE property marketing fees) paid for costs related to default remediation were \$37,938 and \$119,107 for the prior and current fiscal years, respectively. An additional \$33,864 in fees was paid subsequent to fiscal year end.

The Bondholders have been advancing certain funds to finance the operation of the SPE – see Note 7 for additional details.

The Property held by the SPE should be recorded in the fund financial statements as land held for resale, and consequently, the government-wide financial statements. However, no appraisal was performed on the Property so the market value cannot be determined. Consequently, no amount was recorded in the financial statements for this asset.

During the prior fiscal year, the SPE entered into a Management and Brokerage Agreement relating to the undeveloped property owned by the SPE. The manager/broker will market and procure sales for the undeveloped property. In addition, manager will act as a consultant to develop strategic alternatives to maximize the value of the land and provide assistance and advice in implementing such strategic alternatives relating to the Properties.

## **NOTE 10 – CONCENTRATION**

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

## **NOTE 11 – LEASE**

In a prior fiscal year, the District acquired \$18,040 in fitness equipment under a three year capital lease agreement. The lease required 36 monthly payments of \$599. The lease was paid in full during the current fiscal year.

## **NOTE 12 – MANAGEMENT COMPANY**

The District has contracted with a management company to perform management advisory services, which include financial and accounting 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 13 – 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. The District has not filed any claims under this commercial coverage during the last three years.

## **NOTE 14 – SUBSEQUENT EVENTS**

### **Bonds**

Subsequent to fiscal year end, certain scheduled debt service payments were not made. The District's inability to make its scheduled debt service payments when due is considered an event of default. Also, the Series 2006 Debt Service Reserve Account has not been replenished; therefore, the District is not in compliance with the requirements of the Bond Indenture. On May 25, 2016, a payment of past due interest of \$566,255 was made. In addition, a payment of principal totaling \$410,000 and accrued interest of \$113,215 on the redemption amount was also paid on May 25, 2016. These amounts were paid from funds on hand in the Revenue and Prepayment trust accounts.

### **First Amendment to the Tri-Party Agreement**

Subsequent to fiscal year end, the Board approved the First Amendment to the Tri-Party Agreement which states that the Trustee shall fund, on a quarterly basis, any portion of the District's annual budget not funded by the imposition of operation and maintenance assessments imposed and collected on platted lots or lands not owned by the SPE. The Trustee's obligation to deficit fund the District's annual budget shall not exceed the actual costs incurred by the District during any fiscal year in which the SPE owns the Property.

**RIVER GLEN COMMUNITY DEVELOPMENT DISTRICT  
NASSAU COUNTY, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts <u>Original &amp; Final</u>	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>			
Assessments	\$ 125,307	\$ 126,284	\$ 977
Interest and other revenues	-	2,330	2,330
Total revenues	<u>125,307</u>	<u>128,614</u>	<u>3,307</u>
<b>EXPENDITURES</b>			
Current:			
General government	107,483	103,671	3,812
Physical environment	130,289	101,704	28,585
Roads and streets	50,200	24,149	26,051
Culture and recreation	53,500	56,544	(3,044)
Debt service:			
Principal	-	5,132	(5,132)
Interest	-	1,457	(1,457)
Total expenditures	<u>341,472</u>	<u>292,657</u>	<u>48,815</u>
Excess (deficiency) of revenues over (under) expenditures	(216,165)	(164,043)	52,122
<b>OTHER FINANCING SOURCES</b>			
Transfers in	216,165	216,165	-
Total other financing sources	<u>216,165</u>	<u>216,165</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	52,122	<u>\$ 52,122</u>
Fund balance - beginning		<u>214,706</u>	
Fund balance - ending		<u>\$ 266,828</u>	

See notes to required supplementary information

**RIVER GLEN COMMUNITY DEVELOPMENT DISTRICT  
NASSAU 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, 2015 were less than appropriations due primarily to anticipated costs which were not incurred in the current fiscal year.



**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  
River Glen Community Development District  
Nassau 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 River Glen Community Development District, Nassau County, Florida ("District") as of and for the fiscal year ended September 30, 2015, 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 24, 2016, which includes explanatory paragraphs regarding the adverse opinion on the special purpose entity fund and the qualified opinion for the governmental activities as to the departure from generally accepted accounting principles and the qualified opinion for the debt service fund due to the lack of sufficient competent evidential matter and emphasis of matters 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. However, as discussed in the accompanying report to management dated June 24, 2016, we consider deficiency 2015-01 to be a material weakness in internal control over financial reporting. 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*.

We noted certain matters involving the internal control over financial reporting and compliance that we have reported to management of the District in a separate letter dated June 24, 2016.

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.

### **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.

A handwritten signature in blue ink, appearing to read "Bhav & Associates".

June 24, 2016



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE  
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY  
RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Board of Supervisors  
River Glen Community Development District  
Nassau County, Florida

We have examined River Glen Community Development District, Nassau County, Florida's ("District") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2015. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2015.

This report 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, management, and the Board of Supervisors of River Glen Community Development District, Nassau County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Grau & Associates*

June 24, 2016



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

To the Board of Supervisors  
River Glen Community Development District  
Nassau County, Florida

**Report on the Financial Statements**

We have audited the accompanying basic financial statements of River Glen Community Development District, Nassau County, Florida (the "District") as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated June 24, 2016, which includes explanatory paragraphs regarding the adverse opinion on the special purpose entity fund and the qualified opinion for the governmental activities as to the departure from generally accepted accounting principles and the qualified opinion for the debt service fund due to the lack of sufficient competent evidential matter and emphasis of matters paragraph.

**Auditor's Responsibility**

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

**Other Reports and Schedule**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 24, 2016, should be considered in conjunction with this management letter.

**Purpose of this Letter**

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General of 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 the District and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank the District 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 24, 2016



## REPORT TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

#### *Material Weakness*

##### **2015-01: Appraisal Not Performed and Land Held for Resale Not Recorded**

Observation: No appraisal was performed on the Property owned by the SPE. Consequently, while the Property should be recorded in the fund financial statements and, consequently, the government-wide financial statements as land held for resale, no amount was recorded in the financial statements related to this asset as the market value of the Property could not be determined.

Recommendation: An annual appraisal should be performed on the Property owned by the SPE to determine its value as the end of each fiscal year.

Reference Number for Prior Year Findings: 2012-03; 2013-01; 2014-01

Management Response: No appraisal was performed on the land owned by the SPE. Due to this the market value of the land could not be determined at September 30, 2015 and no amount was recorded in the financial statements for the asset.

#### *Other Findings*

##### **2015-02: Financial Condition Assessment**

Observation: The District's financial conditions continue to deteriorate. The Developer failed to pay assessments during prior fiscal years. As a result, the District foreclosed on the related Property which was acquired by the SPE. As a result of the foreclosure, the debt service assessment lien on the Property was released. As a result, due to lack of sufficient funds, certain scheduled debt service payments were not made in the prior, current, or subsequent fiscal years resulting in events of default. In addition, the reserve requirement has not been met. Further, the debt service fund reported a deficit fund balance of (\$2,717,649) at September 30, 2015.

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

Reference Number for Prior Year Finding: 2012-02, 2013-03; 2014-02

Management Response: The District and Trustee formed a SPE to hold, manage and dispose of the property on behalf of the Bondholders. The SPE took title to the Developer property through foreclosure of the special assessment lien, therefore, there are no debt service assessments to collect relating to the foreclosed land. The proceeds from the sale of the land will be used to satisfy the District's debt as it relates to the foreclosed property.

### II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

##### **2014-01: Appraisal Not Performed and Land Held for Resale Not Recorded**

Current Status: See finding no. 2015-01 above.

##### **2014-02: Financial Condition Assessment**

Current Status: See finding no. 2015-02 above.

## REPORT TO MANAGEMENT (Continued)

### 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, 2014, except as noted above.

2. 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, 2015, except as noted above.

3. 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, 2015, except as noted above.

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

5. 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, 2015 financial audit report.

6. 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. The District was unable to make certain scheduled debt service payments due on the Series 2006 Bonds, as a result of a lack of funds. 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.