

**Ridgewood Trails
Community Development District**

ANNUAL FINANCIAL REPORT

September 30, 2013

Ridgewood Trails Community Development District

ANNUAL FINANCIAL REPORT

September 30, 2013

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Report of Independent Auditors

To the Board of Supervisors
Ridgewood Trails Community Development District
Clay County, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Ridgewood Trails Community Development District as of and for the year ended September 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Fort Pierce / Stuart

To the Board of Supervisors
Ridgewood Trails Community Development District

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, General Fund, Debt Service Fund and the Capital Projects Fund of the Ridgewood Trails Community Development District as of September 30, 2013, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note E to the financial statements, 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*. As a result, net assets were renamed net position, bond issuance costs were expensed as of October 1, 2012 and net position was restated in accordance with Ridgewood Trails Community Development District's implementation of Governmental Accounting Standards Board Statement No. 65. Our opinion is not modified with respect to this matter.

Other Matters

Management's Discussion and Analysis

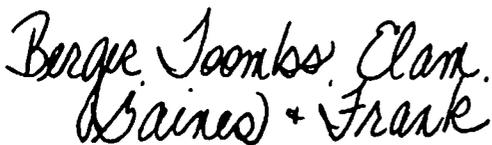
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical 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 principally 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 the sufficient evidence to express an opinion or provide any assurance.

To the Board of Supervisors
Ridgewood Trails Community Development District

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 30, 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 and contracts.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Ridgewood Trails Community Development District's internal control over financial reporting and compliance



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

June 30, 2014

**Ridgewood Trails Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2013**

Management's discussion and analysis of Ridgewood Trails Community Development District (the "District") financial performance provides an objective and easily readable analysis of the District's financial activities. The analysis provides summary financial information for the District and should be read in conjunction with the District's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's basic financial statements comprise three components; 1) *Government-wide financial statements*, 2) *Fund financial statements*, and 3) *Notes to financial statements*. The *Government-wide financial statements* present an overall picture of the District's financial position and results of operations. The *Fund financial statements* present financial information for the District's major funds. The *Notes to financial statements* provide additional information concerning the District's finances.

The *Government-wide financial statements* are the **statement of net position** and the **statement of activities**. These statements use accounting methods similar to those used by private-sector companies. Emphasis is placed on the net position of governmental activities and the change in net position. Governmental activities are primarily supported by special assessments.

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

The statement of activities presents information on all revenues and expenses of the District and the change in net position. Expenses are reported by major function and program revenues relating to those functions are reported, providing the net cost of all functions provided by the District. To assist in understanding the District's operations, expenses have been reported as governmental activities. Governmental activities financed by the District include general government, physical environment and interest on long term debt.

Fund financial statements present financial information for governmental funds. These statements provide financial information for the major funds of the District. Governmental fund financial statements provide information on the current assets and liabilities of the funds, changes in current financial resources (revenues and expenditures), and current available resources.

**Ridgewood Trails Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2013**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund financial statements include a **balance sheet** and a **statement of revenues, expenditures and changes in fund balances** for all governmental funds. A **statement of revenues, expenditures, and changes in fund balances – budget and actual** is provided for the District's General Fund. *Fund financial statements* provide more detailed information about the District's activities. Individual funds are established by the District to track revenues that are restricted to certain uses or to comply with legal requirements.

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

Notes to financial statements provide additional detail concerning the financial activities and financial balances of the District. Additional information about the accounting practices of the District, investments of the District, capital assets and long-term debt are some of the items included in the *notes to financial statements*.

Financial Highlights

The following are the highlights of financial activity for the year ended September 30, 2013.

- ◆ The District's total liabilities exceeded total assets by \$(2,327,931) (net position). Unrestricted net position for Governmental Activities were \$(2,323,924). Invested in capital assets, net of related debt was \$(4,007).
- ◆ Governmental activities revenues totaled \$432,314 while governmental activities expenses totaled \$531,316.

**Ridgewood Trails Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2013**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District

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

Net Position

	Governmental Activities	
	2013	2012
Current assets	\$ 66,146	\$ 12,840
Restricted assets	1,160,163	3,966,185
Capital assets	2,631,317	2,549,565
Other non-current assets	-	- *
 Total Assets	 3,857,626	 6,528,590
 Current liabilities	 395,297	 1,270,062
Non-current liabilities	5,790,260	7,487,457
 Total Liabilities	 6,185,557	 8,757,519
 Net position - invested in capital assets, net of related debt	 (4,007)	 (312,956) *
Net position - unrestricted	(2,323,924)	(1,915,973)
 Total Net Position	 \$ (2,327,931)	 \$ (2,228,929) *

* Restated

The increase in current assets is due to funding from the special purpose entity.

The increase in capital assets is due to the district resuming the construction in progress within the District.

The decrease in restricted assets and liabilities is due to using investments for the payment of long term debt.

**Ridgewood Trails Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2013**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District (Continued)

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

Financial Activity

	Governmental Activities	
	2013	2012
Program Revenues		
Charges for services	\$ 57,305	\$ 24,379
Operating grants and contributions	374,204	2,763,954
General Revenues		
Investment earnings	805	482
Miscellaneous revenues	-	40
Total Revenues	432,314	2,788,855
Expenses		
General government	97,758	243,933
Physical environment and recreation	59,925	48,627
Recreation	3,180	643
Interest on long-term debt	370,453	533,798
Total Expenses	531,316	827,001
Change in Net Assets	(99,002)	1,961,854
Net Assets - Beginning of Year	(2,228,929)	(4,190,783)
Net Assets - End of Year	\$ (2,327,931)	\$ (2,228,929)

The decrease in revenues was related to proceeds received in the prior year from land sales by the District's component unit.

The decrease in total expenses is related to the decrease in general government expenses and interest on long term debt.

**Ridgewood Trails Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2013**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Capital Assets Activity

The following schedule provides a summary of the District's capital assets activity as of September 30, 2013:

<u>Description</u>	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Capital assets not being depreciated:		
Construction in progress	<u>\$ 2,631,317</u>	<u>\$ 2,549,565</u>

There were \$81,752 in additions to construction in progress in 2012/2013.

General Fund Budgetary Highlights

Budgeted expenditures exceeded actual expenditures primarily due to lower amenity center maintenance expenditures.

There was no amendment to the September 30, 2013 budget.

Debt Management

Governmental Activities debt includes the following:

- ◆ In June 2007, the District issued \$8,305,000 Series 2007A Improvement Revenue Bonds. These bonds were issued to fund certain infrastructure and facilities benefitting the lands of the District. As of September 30, 2013, the unmatured outstanding balance was \$5,915,000 for the 2007A bond.

Economic Factors and Next Year's Budget

Ridgewood Trails Community Development District has established a special purpose entity ("SPE") due to the district foreclosing on property within the district. The revenues will be budgeted based on anticipation of the land sales of the SPE and bondholder funding.

Request for Information

The financial report is designed to provide a general overview of Ridgewood Trails Community Development District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Ridgewood Trails Community Development District, Governmental Management Services, 475 West Town Place, Suite 114, St. Augustine, FL 32092.

Ridgewood Trails Community Development District
STATEMENT OF NET POSITION
September 30, 2013

	Governmental Activities	Component Unit
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 55,223	2,905
Prepaid expenses	10,923	-
Due from component unit	-	-
Total Current Assets	66,146	2,905
Non-current Assets:		
Restricted assets:		
Investments	1,160,163	-
Capital assets not being depreciated:		
Land	-	3,366,000
Construction in progress	2,631,317	-
Total Non-current Assets	3,791,480	3,366,000
Total Assets	3,857,626	3,368,905
LIABILITIES		
Current Liabilities:		
Accounts payable	9,398	5,449
Accrued interest payable	139,249	-
Matured bonds payable	105,000	-
Matured interest payable	31,650	-
Bonds payable	110,000	-
Total Current Liabilities	395,297	5,449
Non-current Liabilities:		
Bonds payable	5,790,260	-
Total Liabilities	6,185,557	5,449
NET ASSETS		
Invested in capital assets, net of related debt	(4,007)	-
Unrestricted	(2,323,924)	3,363,456
Total Net Position	\$ (2,327,931)	\$ 3,363,456

See accompanying notes to financial statements..

Ridgewood Trails Community Development District
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenues and Changes in Net Position</u>	<u>Component Unit</u>
		<u>Charges for Services</u>	<u>Operating Grant and Contributions</u>	<u>Governmental Activities</u>	
Primary government					
Governmental Activities					
General government	\$ (97,758)	\$ 26,699	\$ -	\$ (71,059)	\$ -
Physical environment	(59,925)	16,367	-	(43,558)	-
Recreation	(3,180)	869	-	(2,311)	-
Interest on long-term debt	(370,453)	13,370	374,204	17,121	-
Total Governmental Activities	<u>\$ (531,316)</u>	<u>\$ 57,305</u>	<u>\$ 374,204</u>	<u>(99,807)</u>	<u>-</u>
Component unit:					
Ridgewood Trails CDD Holdings, LLC					
Land Foreclosure	(391,525)	-	148,770	-	<u>(242,755)</u>
General revenues:					
Investment earnings				805	-
Miscellaneous Revenues				-	201,000
Total General Revenue				<u>805</u>	<u>201,000</u>
Change in Net Position				(99,002)	(41,755)
Net Position - October 1, 2012				<u>(2,228,929)</u>	3,405,211
Net Position - September 30, 2013				<u>\$ (2,327,931)</u>	<u>\$ 3,363,456</u>

See accompanying notes to financial statements.

Ridgewood Trails Community Development District
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2013

ASSETS	General	Debt Service	Capital Projects	Total Governmental Funds
Cash and cash equivalents	\$ 55,223	\$ -	\$ -	\$ 55,223
Due from other funds	750	-	-	750
Prepaid expenses	10,923	-	-	10,923
Restricted assets:				
Restricted investments	-	628,230	531,933	1,160,163
Total Assets	\$ 66,896	\$ 628,230	\$ 531,933	\$ 1,227,059
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 7,713	\$ -	\$ 1,685	\$ 9,398
Due to other funds	-	-	750	750
Matured bonds payable	-	105,000	-	105,000
Matured interest payable	-	31,650	-	31,650
Total Liabilities	7,713	136,650	2,435	146,798
FUND BALANCES				
Nonspendable - prepaid expenses	10,923			10,923
Restricted for:				
Capital projects	-	-	529,498	529,498
Debt Service	-	491,580	-	491,580
Unassigned	48,260	-	-	48,260
Total Fund Balances	59,183	491,580	529,498	1,080,261
Total Liabilities and Fund Balances	\$ 66,896	\$ 628,230	\$ 531,933	\$ 1,227,059

See accompanying notes to financial statements.

**Ridgewood Trails Community Development District
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
September 30, 2013**

Total Governmental Fund Balances	\$	1,080,261
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets not being depreciated, construction in progress, used in governmental activities are not financial resources and; therefore, are not reported in the funds.		2,631,317
Long-term liabilities, including bonds payable (\$(5,915,000)), net of net bond discount (\$(14,740)) are not due and payable in the current period and; therefore, are not reported in the funds.		(5,900,260)
Accrued interest expense for long-term debt is not a financial use and; therefore, is not reported in the funds.		<u>(139,249)</u>
Net Position of Governmental Activities	<u>\$</u>	<u>(2,327,931)</u>

See accompanying notes to financial statements.

Ridgewood Trails Community Development District
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2013

	General	Debt Service 2007A	Capital Projects	Total Governmental Funds
Revenues				
Special assessments	\$ 43,935	\$ 13,370	\$ -	\$ 57,305
Contributions from owners	-	374,204	-	374,204
Investment earnings	-	565	240	805
Total Revenues	<u>43,935</u>	<u>388,139</u>	<u>240</u>	<u>432,314</u>
Expenditures				
Current				
General government	97,758	-	-	97,758
Physical environment	59,925	-	-	59,925
Recreation	3,180	-	-	3,180
Capital Outlay	-	-	81,752	81,752
Debt service				
Principal	-	1,725,000	-	1,725,000
Interest	-	400,711	-	400,711
Other debt service	-	10,020	-	10,020
Total Expenditures	<u>160,863</u>	<u>2,135,731</u>	<u>81,752</u>	<u>2,378,346</u>
Excess of revenues over/(under) expenditures	(116,928)	(1,747,592)	(81,512)	(1,946,032)
Other Financing Sources/(Uses)				
Transfers in	174,204	511,220	22	685,446
Transfers out	-	(22)	(685,424)	(685,446)
Total Other Financing Sources/(Uses)	<u>174,204</u>	<u>511,198</u>	<u>(685,402)</u>	<u>-</u>
Net change in fund balances	57,276	(1,236,394)	(766,914)	(1,946,032)
Fund Balances - October 1, 2012	<u>1,907</u>	<u>1,727,974</u>	<u>1,296,412</u>	<u>3,026,293</u>
Fund Balances - September 30, 2013	<u>\$ 59,183</u>	<u>\$ 491,580</u>	<u>\$ 529,498</u>	<u>\$ 1,080,261</u>

See accompanying notes to financial statements.

Ridgewood Trails Community Development District
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2013

Net Change in Fund Balances - Total Governmental Funds	\$ (1,946,032)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Repayment of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the statement of net assets.	1,725,000
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the capital outlay expenditure in the current year.	81,752
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Amortization expense of a bond discount does not require the use of current resources and therefore is not reported in the governmental funds. This is the amount of amortization in the current period.	(2,803)
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In the Statement of Activities, interest is accrued on outstanding bonds; whereas in governmental funds, interest expenditures are reported when due. This is the change in accrued interest from the prior year.	<u>43,081</u>
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Change in Net Position of Governmental Activities	<u><u>\$ (99,002)</u></u>
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See accompanying notes to financial statements.

Ridgewood Trails Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL FUND
For the Year Ended September 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Special assessments	\$ 223,131	\$ 223,131	\$ 43,935	\$ (179,196)
Expenditures				
Current				
General government	116,609	116,609	97,758	18,851
Physical environment	93,572	93,572	59,925	33,647
Recreation	12,700	12,700	3,180	9,520
Capital outlay	250	250	-	250
Total Expenditures	<u>223,131</u>	<u>223,131</u>	<u>160,863</u>	<u>62,268</u>
Excess of revenues over/(under) expenditures	-	-	(116,928)	(116,928)
Other Financing Sources/(Uses)				
Transfers in	-	-	174,204	174,204
Net change in fund balances	-	-	57,276	57,276
Fund Balances - October 1, 2012	-	-	-	-
Fund Balances - September 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,276</u>	<u>\$ 57,276</u>

See accompanying notes to financial statements.

Ridgewood Trails Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

1. Reporting Entity

The District was created on October 19, 2005, pursuant to the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes and Clay County Ordinance 2005-47 and corrected by Clay County Ordinance 2010-27. The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of the infrastructure necessary for community development within its jurisdiction. The District is authorized to issue bonds for the purpose, among others, of financing, funding, planning, establishing, acquiring, constructing or re-constructing, enlarging or extending, equipping, operating and maintaining water management, bridges or culverts, district roads, landscaping, street lights and other basic infrastructure projects within or without the boundaries of the Ridgewood Trails Community Development District. The District is governed by a five-member Board of Supervisors who are elected on an at-large basis by landowners within the District. The District operates within the criteria established by Chapter 190.

As required by GAAP, these financial statements present the Ridgewood Trails Community Development District (the primary government) as a stand-alone government, as well as a discretely-presented component unit. The reporting entity for the District includes all functions of government in which the District's Board exercises oversight responsibility including, but not limited to, financial interdependency, selection of governing authority, designation of management, significant ability to influence operations and accountability for fiscal matters. The component unit is discretely presented because the exclusion of such information would cause the financial statements to be misleading or incomplete.

Based upon the application of the above-mentioned criteria, the District has identified one discretely-presented component unit.

The discretely-presented component unit is a legally separate entity which did not meet the criteria for blending. It is reported in separate columns to emphasize that it is legally separate from the District. The discrete component unit of the District is as follows:

Ridgewood Trails Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. Reporting Entity (Continued)

Ridgewood Trails CDD Holdings, LLC - The Company is a special purpose entity created by provisions in the Trust indenture for the 2007A Capital Improvement Revenue Bonds for the purpose of owning, maintaining, selling or disposing of the property related to the bonds. The Company and its operations, pursuant to an agreement between the Company, the District and the U.S. Bank National Association (the Trustee), are funded from: \$148,770 from bondholder contributions, and the \$201,000 from the sale of property foreclosed on by the District. A tri-party agreement was also entered into, in which, generally speaking, the Trustee, at the direction of the District's bondholders, agreed to provide the District \$600,000 for the construction and design of the amenity center and agreed to pay certain operations and maintenance expenses. Funds received by the Company are to be used first to pay the fees and expenses of the Company related to operations subject to approval by the Trustee, and second to the Bondholders to repay those 2007 Bonds, along with accrued interest. The company's financial statements may be obtained from GMS Property Management, LLC, 475 West Town Place, Suite 114, St. Augustine, FL 32092.

2. Measurement Focus and Basis of Accounting

The basic financial statements of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

a. Government-wide Financial Statements

Government-wide financial statements report all non-fiduciary information about the reporting government as a whole. These statements include all the governmental activities of the primary government. The effect of interfund activity has been removed from these statements.

Governmental activities are supported by special assessments. Program revenues include charges for services and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the Statement of Activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source.

Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Ridgewood Trails Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements

The underlying accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually.

Governmental Funds

The District implemented the Governmental Accounting Standards Board Statement 54 – Fund Balance Reporting and Governmental Fund Type Definitions. The Statement requires the fund balance for governmental funds to be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The District has various policies governing the fund balance classifications.

Nonspendable Fund Balance – This classification consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance – This classification includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Assigned Fund Balance – This classification consists of the Board of Supervisors' intent to be used for specific purposes, but are neither restricted nor committed. The assigned fund balances can also be assigned by the District's management company.

Unassigned Fund Balance – This classification is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Ridgewood Trails Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds (Continued)

Fund Balance Spending Hierarchy – For all governmental funds except special revenue funds, when restricted, committed, assigned, and unassigned fund balances are combined in a fund, qualified expenditures are paid first from restricted or committed fund balance, as appropriate, then assigned and finally unassigned fund balances.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Interest associated with the current fiscal period is considered to be an accrual item and so has been recognized as revenue of the current fiscal period.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of “available spendable resources”. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources are expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability.

Debt service expenditures are recorded only when payment is due.

3. Basis of Presentation

a. Governmental Major Funds

General Fund - The General Fund is the District’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Ridgewood Trails Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Basis of Presentation (Continued)

a. Governmental Major Funds (Continued)

Debt Service Fund - Accounts for debt service requirements to retire the capital improvement bonds which were used to finance the construction of District infrastructure improvements.

Capital Projects Fund – Accounts for the financial resources used for the acquisition, construction, installation and equipping of infrastructure improvements.

b. Non-current Governmental Assets/Liabilities

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

4. Assets, Liabilities, and Net position or Equity

a. Cash and Investments

Florida Statutes require state and local governmental units to deposit monies with financial institutions classified as "Qualified Public Depositories," a multiple financial institution pool whereby groups of securities pledged by the various financial institutions provide common collateral from their deposits of public funds. This pool is provided as additional insurance to the federal depository insurance and allows for additional assessments against the member institutions, providing full insurance for public deposits.

The District is authorized to invest in those financial instruments as established by Section 218.415, Florida Statutes. The authorized investments consist of:

1. Direct obligations of the United States Treasury;
2. The Local Government Surplus Funds Trust or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperative Act of 1969;
3. Interest-bearing time deposits or savings accounts in authorized qualified public depositories;
4. Securities and Exchange Commission, registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less.

Ridgewood Trails Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

b. Restricted Assets

Certain net position of the District will be classified as restricted assets on the statement of net position because their use is limited either by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors. In a fund with both restricted and unrestricted assets, qualified expenses are considered to be paid first from restricted net position and then from unrestricted net position.

c. Capital Assets

Capital assets, which include land improvements, improvements other than buildings, and equipment are reported in governmental activities.

The District defines capital assets as assets with an initial, individual cost of \$750 or more and an estimated useful life in excess of one year. The valuation basis for all assets is historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Depreciation of capital assets is computed and recorded by utilizing the straight-line method over the assets' estimated useful lives ranging from 5 to 30 years.

d. Bond Premiums and Issuance Costs

Bond premiums and legal fees associated with the issuance of bonds are amortized over the life of the bonds using the effective interest method of accounting.

e. Budgets

Budgets are prepared and adopted after public hearings for the governmental funds, pursuant to Chapter 190 and Section 200.065, Florida Statutes. The District utilizes the same basis of accounting for budgets as it does for revenues and expenditures in its various funds. Formal budgets are adopted for the general fund. The legal level of budgetary control is at the fund level. As a result, deficits in the budget columns of the accompanying financial statements may occur. All budgeted appropriations lapse at year end.

Ridgewood Trails Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

f. Net position

Net position represent the difference between assets and liabilities and are reported in three categories. Net position invested in capital assets, net of related debt, represent capital assets, net of accumulated depreciation and any outstanding debt related to those assets. Net position are reported as restricted when there are legal limitations imposed on their use by legislation, or external restrictions imposed by other governments, creditors, or grantors. Unrestricted net position are assets that do not meet definitions of the classifications previously described.

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net position

“Total fund balances” of the District’s governmental funds (\$1,227,059) differs from “net position” of governmental activities (\$(2,327,931)) reported in the Statement of Net position. This difference primarily results from the long-term economic focus of the Statement of Net position versus the current financial resources focus of the Governmental Fund Balance Sheet. The effect of the differences is illustrated below.

Capital related items

When capital assets (improvements and equipment that are to be used in governmental activities) are purchased or constructed, the cost of those assets is reported as expenditures in governmental funds. However, the Statement of Net position included those capital assets among the assets of the District as a whole.

Construction in progress	<u>\$ 2,631,317</u>
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Ridgewood Trails Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

1. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net position (Continued)

Long-term debt transactions

Long-term liabilities applicable to the District’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net position. Balances at September 30, 2013 were:

Bonds payable	\$ (5,915,000)
Bond discount, net	<u>14,740</u>
Total	<u>\$ (5,900,260)</u>

Accrued interest

Accrued liabilities in the Statement of Net position differ from the amount reported in governmental funds due to the accrued interest on bonds.

Accrued interest	<u>\$ (139,249)</u>
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2. Explanation of Differences Between the Governmental Fund Operating Statements and the Statement of Activities

The “net change in fund balances” for government funds (\$(1,946,032)) differs from the “change in net position” for governmental activities (\$99,002) reported in the Statement of Activities. The differences arise primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital related items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. Therefore, when those assets are later conveyed, a fund level expenditure is not recorded, but the undepreciated balance is shown as a special item in the Statement of Activities. The following is the amount of depreciation expense, and amount of capital asset acquisitions.

Capital asset acquisitions	<u>\$ 81,752</u>
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Ridgewood Trails Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

2. Explanation of Differences Between the Governmental Fund Operating Statements and the Statement of Activities (Continued)

Long-term debt transactions

Repayment of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities.

Debt principal payments	\$ <u>1,725,000</u>
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Amortization expense of the bond discount does not require the use of current resources and therefore is not reported in the governmental funds.

Amortization of bond discount	\$ <u>(2,803)</u>
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Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.

Net decrease in accrued interest payable	\$ <u>43,081</u>
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NOTE C – CASH AND DEPOSITS

All deposits are held in qualified public depositories and are included on the accompanying balance sheet as cash and investments.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District follows the provisions of Chapter 280, Florida Statutes regarding deposits and investments to manage custodial credit risk. The District maintains all deposits in a qualified public depository, so that all deposits are fully insured by Federal Depositors Insurance or collateralized under Chapter 280, Florida Statutes. As of September 30, 2013, the District's bank balance was \$60,330 and the carrying value was \$55,223.

As of September 30, 2013, the District had the following investments and maturities:

Investment	Maturities	Fair Value
First American Government Us Bank Money Market	N/A	<u>\$1,160,181</u>

Ridgewood Trails Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE C – CASH AND DEPOSITS (CONTINUED)

Interest Rate Risk

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

Credit Risk

The District's investments in treasury funds, commercial paper, and government loans are limited by state statutory requirements and bond compliance. The District has no investment policy that would further limit its investment choices. As of September 30, 2013, the District's investment in the Money Market Mutual Fund accounts was rated A-1+ by Standard & Poor's.

Concentration of Credit Risk

The District places no limit on the amount it may invest.

The types of deposits and investments and their level of risk exposure as of September 30, 2013 were typical of these items during the fiscal year then ended. The District considers any decline in fair value for certain investments to be temporary.

NOTE D – SPECIAL ASSESSMENT REVENUES

Assessments are non-ad valorem assessments on benefitted property within the District. Operating and Maintenance Assessments are based upon adopted general fund budget and levied annually. Debt Service Assessments are levied when bonds are issued and collected annually. The District may collect assessments directly or utilize the uniform method of collection (Chapter 197.3632, 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 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 all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Ridgewood Trails Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE E – CAPITAL ASSETS

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

	Balance October 1, 2012	Additions	Deletions	Balance September 30, 2013
<u>Governmental Activities:</u>				
Capital Assets, Not Depreciated:				
Construction in progress	<u>\$ 2,549,565</u>	<u>\$ 81,752</u>	<u>\$ -</u>	<u>\$ 2,631,317</u>

NOTE F – LONG-TERM DEBT

The following is a summary of debt activity for the District for the year ended September 30, 2013:

	Balance October 1, 2012	Additions	Deletions	Balance September 30, 2013
<u>Governmental Funds:</u>				
Bonds payable:				
Series 2007A	\$7,640,000	\$ -	\$(1,725,000)	\$ 5,915,000
Less: Bond discount, net	<u>(17,543)</u>	<u>-</u>	<u>2,803</u>	<u>(14,740)</u>
Governmental Funds Liabilities	<u>\$ 7,622,457</u>	<u>\$ -</u>	<u>\$(1,722,197)</u>	<u>\$ 5,900,260</u>

District debt is comprised of the following at September 30, 2013:

Special Assessment Refunding Bond

\$8,305,000 Series 2007A Capital Improvement Revenue Refunding Bonds maturing through 2038, interest of 5.65%, payable May 1 and November 1.

\$ 5,915,000

Less:

Discount, net
Total

(14,740)
\$ 5,900,260

Ridgewood Trails Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE F – LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize the principal and interest of bonded debt outstanding as of September 30, 2013 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 110,000	\$ 334,198	\$ 444,198
2015	115,000	327,983	442,983
2016	125,000	321,485	446,485
2017	130,000	314,423	444,423
2018	140,000	307,078	447,078
2019-2023	825,000	1,408,263	2,233,263
2024-2028	1,095,000	1,146,103	2,241,103
2029-2033	1,455,000	798,063	2,253,063
2034-2038	<u>1,920,000</u>	<u>338,153</u>	<u>2,258,153</u>
Totals	<u>\$ 5,915,000</u>	<u>\$ 5,295,749</u>	<u>\$ 11,210,749</u>

1. Reserve Fund - The 2007A Reserve Account is funded from the proceeds of the Series 2007A. Monies held in the reserve accounts will be used only for the purposes established in the Trust Indenture. Reserve fund requirements as of September 30, 2013 are as follows:

	<u>Capital Improvement Revenue Bonds</u>	
	<u>Reserve Balance</u>	<u>Reserve Requirement</u>
Series 2007A	<u>\$ 58,338</u>	<u>\$ 410,931</u>

The District has not made certain principal and interest payments on the Series 2007A Bonds. The amounts unpaid are reflected as matured interest and matured bonds payable in the accompanying financial statements.

NOTE G – RELATED PARTIES

The District has contracted with a management company to perform management advisory 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.

Ridgewood Trails Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE H – 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 for which the government carries commercial insurance.

NOTE I – NET POSITION

The District adopted Governmental Accounting Standards Board Statement (GASB) No. 63, which amends net asset reporting by establishing deferred outflows and deferred inflows of resources and renamed the residual measure net position. The District also adopted GASB Statement No. 65, which altered accounting for bond issuance costs by requiring such cost be expensed in the period incurred. Bond issuance costs were previously capitalized and amortized over the life of the bond. Net position was restated to reflect this change in accounting principles. The effect on net position is illustrated below.

Net position, October 1, 2012 as previously reported	\$ (1,964,971)
Prior period adjustment - removal of bond issuance costs	(263,958)
Net position, October 1, 2012 restated	<u><u>\$ (2,228,929)</u></u>

**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
Ridgewood Trails Community Development District
Clay County, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America the financial statements of Ridgewood Trails Community Development District (the District) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise Ridgewood Trails Community Development District's basic financial statements, and have issued our report thereon dated June 30, 2014.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Ridgewood Trails Community Development District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ridgewood Trails Community Development District's internal control. Accordingly, we do not express an opinion on the effectiveness of Ridgewood Trails Community Development District's internal control.

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

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



To the Board of Supervisors
Ridgewood Trails Community Development District

Compliance and Other Matters

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

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Berger, Toombs, Elam,
Gaines & Frank*

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

June 30, 2014



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MANAGEMENT LETTER

To the Board of Supervisors
Ridgewood Trails Community Development District
Clay County, Florida

We have audited the financial statements of the Ridgewood Trails Community Development District, Florida as of and for the year ended September 30, 2013, and have issued our report thereon dated June 30, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Florida Auditor General. We have issued our 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*. Disclosures in that report which is dated June 30, 2014 should be considered in conjunction with this Management Letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General which governs the conduct of local entity audits performed in the State of Florida.

The Rules of the Auditor General (Section 10.554(1)(i)1.) require that we address in the Management Letter, if not already addressed in the auditor's report on compliance and internal controls, whether or not recommendations made in the preceding annual financial report have been followed. The following recommendation was made in a preceding audit report:

2011-01

Finding -The balance on hand in the reserve accounts was substantially below the reserve account requirement. Reserve requirements remain unmet and fund are not available to make the May principal and interest payments in the current year. This finding remains uncorrected in the current year.

Management Response – The District has foreclosed on certain property within the District and created a Special Purpose Entity to hold the proceeds from the foreclosure sale, which is consistent with the directions of the holders of the bonds.

Finding 2013-01

Finding - The District continues to meet conditions described in Section 218.503(1), Florida Statutes, related to the failure to make certain scheduled debt service payments.

Management Response – The District has created a special purpose entity and the bond payments are now subject to an agreement between the special purpose entity and the Trustee. The bondholders have agreed to take payments as part of that agreement.

Fort Pierce / Stuart

To the Board of Supervisors
Ridgewood Trails Community Development District

As required by the Rules of the Auditor General (Section 10.554(1)(i)2.) the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes regarding the investment of public funds. In connection with our audit, we determined that Ridgewood Trails Community Development District complied with Section 218.415, Florida Statutes.

The Rules of the Auditor General (Section 10.554(1)(i)3, 4 and 5.) require that we address in the Management Letter, if not already addressed in the auditor's report on compliance and internal controls: improvements in financial management and violations of contracts or grant agreements, fraud, illegal acts or abuse and deficiencies in internal control that are not significant deficiencies, other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of the auditor. We noted the following:

Ridgewood Trails Community Development District has met one or more of the conditions described in Section 218.503(1), Florida Statutes in that certain debt service payments for the \$136,650 remaining outstanding 2007A Series Bonds were not made. In accordance with the tri-party agreement entered into in 2012 to cure the default, certain lot sales to end users are pledged to cover expenses of the Special Purpose Entity and then pay bondholders. If proceeds from lot sales are not sufficient to retire the remaining bonds, any unpaid balance will be forgiven.

As required by the Rules of the Auditor General (Section 10.554(1)(i)7.c and Section 10.556(7)), we applied financial conditions assessment procedures. It is Management's responsibility to monitor the entity's financial condition; our financial condition assessment was based in part on the representations made by management and the review of the financial information provided by the same.

As required by the Rules of the Auditor General (Section 10.554(1)(i)7.b.), we determined that the annual financial report for the District for the fiscal year ended September 30, 2013, filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with our annual financial audit report for the fiscal year ended September 30, 2013.

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 and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

*Berger, Toombs, Elam,
Gaines & Frank*

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

June 30, 2014