

FINANCIAL STATEMENTS
LAKE ASBURY MUNICIPAL
SERVICE BENEFIT DISTRICT

For the Year Ended September 30, 2013

LAKE ASBURY MUNICIPAL SERVICE BENEFIT DISTRICT

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INDEPENDENT AUDITORS' REPORT

The Board of District Trustees
Lake Asbury Municipal Service Benefit District
Doctors Inlet, Florida

We have audited the accompanying financial statements of the governmental activities of Lake Asbury Municipal Service Benefit District (the "District") as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion 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. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the District, as of September 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 on pages 4 - 6 and 10 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.

Magers & Associates LLC

Magers & Associates, LLC
Orange Park, FL
May 13, 2014

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

Lake Asbury Municipal Service Benefit District
Management's Discussion and Analysis
September 30, 2013

Within this section of the Lake Asbury Municipal Service Benefit District's report, the District's management provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2013. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Significant Matters

Effective for the fiscal year beginning on October 1, 2010, the District increased the assessment per lot from \$100 to \$600 per year and eliminated the ad valorem tax.

These actions have enabled the District to obtain financing for major capital improvement projects. In June 2012, the District borrowed \$840,000 which is restricted for use for capital improvements. In fiscal year 2012, the District entered into a \$695,689 contract for capital improvements to the South Lake spillway. The capital improvements were completed in fiscal year 2013.

Financial Highlights

A summary of revenues and expenditures for the years ended September 30 is as follows:

	<u>2013</u>	<u>2012</u>
Special Assessments	268,200	268,200
Loan Proceeds	-	840,000
Other	667	1,110
	<u>268,867</u>	<u>1,109,310</u>
Repairs & Maintenance	8,495	78,514
Debt Service	176,890	43,886
Other	52,142	72,242
Capital Outlay	695,689	-
	<u>933,216</u>	<u>194,642</u>
	<u>(664,349)</u>	<u>914,668</u>

The District borrowed \$840,000 during 2012. The proceeds of the loan are restricted, per the loan agreement, to capital improvements. The \$840,000 capital improvement loan's annual installment is payable in June of each year with the first payment due in 2013.

Lake Asbury Municipal Service Benefit District
Management's Discussion and Analysis
September 30, 2013

The special assessment revenue is pledged as collateral on the notes and collections equal to the annual debt, payments are restricted to debt payments. Required debt payments, including interest and principal, will be \$176,894 in the year ending September 30, 2014 compared to estimated special revenue receipts of approximately \$268,200. Excess revenues may be used for other operating expenses.

As of September 30, total net assets are comprised of:

	<u>2013</u>	<u>2012</u>
Cash	\$ 299,278	\$ 272,281
Cash Restricted	144,311	840,000
Other	15,725	19,057
Infrastructure	695,689	-
Land	6,003	6,003
Total Assets	<u>1,161,006</u>	<u>1,137,341</u>
Accounts Payable	851	5,156
Interest Payable	8,987	10,893
Long-term Debt	850,197	998,072
Total Liabilities	<u>860,035</u>	<u>1,014,121</u>
Net Assets	<u>\$ 300,971</u>	<u>\$ 123,220</u>

Overview of the Financial Statements

Management's Discussion and Analysis introduces the District's basic financial statements. These basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The District also includes in this report additional information to supplement the basic financial statements.

The first of these government-wide fund statements is the Statement of Net Assets. This is the District's statement of position presenting information that includes all of the District's assets and liabilities, with the difference reported as net liabilities. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Evaluation of the overall health of the District would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of the lakes and dams in addition to the financial information provided in this report.

Lake Asbury Municipal Service Benefit District
Management's Discussion and Analysis
September 30, 2013

The second government-wide fund statement is the Statement of Activities which reports how the District's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash was received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the District's activities or functions on revenues provided by the taxpayers through special assessments.

The District utilizes its general fund to report all of its activities which are principally supported by taxes.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The District uses its funds to ensure and demonstrate compliance with finance-related laws and regulations. All the governmental operating activities of the District are reflected in the general fund. Likewise, all the governmental capital improvement activities are reported in the capital improvements fund. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near term.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to the understanding of the financial statements.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances, comply with finance-related laws and regulations, and demonstrate the District's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the District at Post Office Box 30252, Doctors Inlet, Florida 32030.

FINANCIAL STATEMENTS

LAKE ASBURY MUNICIPAL SERVICE BENEFIT DISTRICT

Statement of Net Assets

September 30, 2013

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 299,278
Cash, Restricted	144,311
Prepaid Expenses	<u>385</u>
Total Current Assets	<u>443,974</u>
Infrastructure	695,689
Land	6,003
Loan Costs, Net	<u>15,340</u>
Total Assets	<u><u>\$ 1,161,006</u></u>
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 851
Accrued Interest	8,987
Current Portion, Long-Term Debt	<u>152,408</u>
Total Current Liabilities	<u>162,246</u>
Notes Payable	850,197
Less Current Portions	<u>152,408</u>
Total Long-Term Debt	<u>697,789</u>
Total Liabilities	<u><u>\$ 860,035</u></u>
NET ASSETS	
Invested in Capital Assets, net of related debt	\$ -
Unrestricted	<u>300,971</u>
Total Net Assets	<u><u>\$ 300,971</u></u>

See accompanying notes to financial statements.

LAKE ASBURY MUNICIPAL SERVICE BENEFIT DISTRICT
Statement of Activities and Changes in Net Assets
Year ended September 30, 2013

Revenues	
Special Assessments	\$ 268,200
Interest Income	<u>677</u>
Total Revenue	<u>268,877</u>
Expenditures	
Personal Services	2,108
Professional Services	19,124
Accounting and Auditing	5,150
Other Contracted Support	6,662
Travel and Per Diem	389
Communications and Postage	976
Utilities	531
Insurance	7,315
Repairs and Maintenance	8,495
Legal Notices	149
Office Expense	190
Memberships & Subscriptions	738
Amortization	3,380
Other	8,810
Interest Expenses	<u>27,109</u>
Total Expenditures	<u>91,126</u>
Excess of Revenues over Expenditures	177,751
Net Assets, Beginning	<u>123,220</u>
Net Assets, Ending	<u><u>\$ 300,971</u></u>

See accompanying notes to financial statements.

LAKE ASBURY MUNICIPAL SERVICE BENEFIT DISTRICT
Balance Sheet - Governmental Fund
September 30, 2013

ASSETS

Cash	\$ 299,278
Cash, Restricted	144,311
Prepaid Expenses	<u>385</u>
Total Assets	<u><u>\$ 443,974</u></u>

LIABILITIES

Current Liabilities	
Accounts Payable	<u><u>\$ 851</u></u>

FUND BALANCE

Reserved for:	
Reserved for debt services	\$ 176,894
Reserved for prepaids	385
Reserved for capital projects	144,311
Unreserved	
Undesignated	<u>121,533</u>
Total Fund Balance	<u><u>\$ 443,123</u></u>

See accompanying notes to financial statements.

LAKE ASBURY MUNICIPAL SERVICE BENEFIT DISTRICT
 Reconciliation of the Balance Sheet of the
 Governmental Fund to the Statement of Net Assets
 September 30, 2013

Fund Balance - Total Governmental Funds	\$	443,123
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Amounts reported in Governmental Activities in
 the Statement of Net Assets are different because

Capital Assets used in governmental activities are
 not financial resources and therefore are not
 reported in the governmental funds:

The cost of debt issuance is amortized in the Statement of Activities over the remaining life of the debt		15,340
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Capital Assets		701,692
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Long-term liabilities are not due and payable in
 their current period and therefore are not reported
 in the governmental funds:

Notes Payable		(850,197)
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Accrued interest due is not reported as a liability of the governmental funds		(8,987)
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Net Assets of the Governmental Funds		<u>\$ 300,971</u>
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See accompanying notes to financial statements.

LAKE ASBURY MUNICIPAL SERVICE BENEFIT DISTRICT
Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual - Governmental Fund
Year ended September 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues				
Special Assessments	268,200	268,200	268,200	-
Interest Income	1,000	1,000	677	(323)
Total Revenue	<u>269,200</u>	<u>269,200</u>	<u>268,877</u>	<u>(323)</u>
Expenditures				
Personal Services	2,207	2,207	2,108	(99)
Professional Services	30,000	30,000	19,124	(10,876)
Accounting and Auditing	6,800	6,800	5,150	(1,650)
Other Contracted Support	8,952	8,952	6,662	(2,290)
Travel and Per Diem	1,150	1,150	389	(761)
Communications and Postage	1,075	1,075	976	(99)
Utilities	500	500	531	31
Insurance	9,325	9,325	7,315	(2,010)
Repairs and Maintenance	73,996	73,996	8,495	(65,501)
Legal Notices	750	750	149	(601)
Office Expense	1,000	1,000	190	(810)
Memberships & Subscriptions	915	915	738	(177)
Commissions & Discounts	9,000	9,000	8,810	(190)
Capital Outlay	704,680	704,680	695,689	(8,991)
Debt Principal Payments	519,008	519,008	147,875	(371,133)
Interest	24,899	24,899	29,015	4,116
Total Expenditures	<u>1,394,257</u>	<u>1,394,257</u>	<u>933,216</u>	<u>(461,041)</u>
Excess of Revenues over Expenditures	<u>(1,125,057)</u>	<u>(1,125,057)</u>	<u>(664,339)</u>	<u>(460,718)</u>
Fund Balance, Beginning of Year	<u>1,107,462</u>	<u>1,107,462</u>	<u>1,107,462</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (17,595)</u>	<u>\$ (17,595)</u>	<u>\$ 443,123</u>	<u>(460,718)</u>

See accompanying notes to financial statements.

LAKE ASBURY MUNICIPAL SERVICE BENEFIT DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balance of the Governmental Fund
 to the Statement of Activities
 For the year ended September 30, 2013

Net Change in Fund Balances - Total Governmental Funds \$ (664,339)

Amounts reported for Governmental Activities in
 the Statement of Net Activities are different because:

Governmental funds report capital outlays as expenditures.
 However, in the statement of activities, the cost of capital
 assets is allocated over their estimated useful lives and
 reported as assets

Capital Expenditures 695,689

Repayment of long-term debt is reported as an expenditure
 on the governmental funds, but is a reduction of long-term
 liabilities in the statement of net assets. 147,875

Some expenses reported in the Statement of Activities
 do not require the use of current financial resources
 and therefore are not reported as expenditures in the
 Governmental Funds:

Change in accrued loan interest 1,906

Amortization of debt issuance costs (3,380)

Change in Net Assets \$ 177,751

See accompanying notes to financial statements.

Lake Asbury Municipal Service Benefit District
Notes to Financial Statements
September 30, 2013

NOTE 1. Summary of Significant Accounting Policies

The accounting policies of Lake Asbury Municipal Service Benefit District (the "District") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies of the District.

Reporting Entity

The District is a special district created by 1986 House Bill 696 of the State of Florida Legislature for the purpose of continuing maintenance of the lakes and dams known as Lake Asbury, South Lake Asbury and Lake Ryan in Clay County, Florida. It is composed of nine members (trustees) residing within the District who are qualified electors of the State of Florida.

The accompanying financial statements include all funds, agencies and boards that are controlled by, or are dependent on, the District.

Governmental Accounting Standards Board (GASB) Statement Number 14, "Financial Reporting Entity", as amended, requires the financial statements of the District (the primary government) to include its component units, if any. A component unit is a legally separate organization for which the officials of the primary government are financially accountable. Based on the criteria established in GASB Statement Number 14, there are no component units required to be included in the District's financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The District's governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded when the related fund liability is incurred.

Lake Asbury Municipal Service Benefit District
Notes to Financial Statements
September 30, 2013

NOTE 1 Summary of Significant Accounting Policies (cont.)

Fund Types and Major Funds

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.

Budgets and Budgetary Accounting

The District prepares a budget for its General Fund - Statement of Revenues and Expenditures on a consistent basis, which does not differ materially from generally accepted accounting principles. The budget and amendments are approved by the District.

Encumbrances

Encumbrance accounting is not used by the District.

NOTE 2 Cash

All cash resources of the District are entirely covered by Federal Depository Insurance or by collateral pursuant to the Florida Security For Public Deposits Act (Florida Statutes Chapter 280).

NOTE 3 Fixed Assets

The District's property, plant and equipment with useful lives of more than one year are stated at historical cost and are reported in the financial statements. The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives is not capitalized. The District's capital assets consist of land and infrastructure.

NOTE 4 Intangible Assets

The District has incurred loan costs which are being amortized over the loans. Amortization expense was \$3,380 for 2013.

Vacation and Sick Pay

The District has one part-time employee and has no formal vacation and/or sick pay policy which would require accumulation of these benefits.

Lake Asbury Municipal Service Benefit District
Notes to Financial Statements
September 30, 2013

NOTE 5 Changes in Capital Assets

A summary of changes in capital assets follows:

	Balance 9/30/2012	Additions	Deletions	Balance 9/30/2013
Infrastructure	\$ -	\$ 695,689	\$ -	\$ 695,689
Land	6,003	-	-	6,003
Total Capital Assets	\$ 6,003	\$ 695,689	\$ -	\$ 701,692

NOTE 6 Special Assessments

The Clay County Tax Collector bills and collects special assessments for the District as well as property taxes for all of Clay County, Florida. Special assessments are recognized when levied, to the extent that they result in current receivables. At September 30, 2013, there was no special assessment taxes receivable by the District.

Real property taxes, special assessment taxes, and tangible personal property taxes are assessed by the Clay County Property Appraiser according to just values on January 1st of each year. Taxes, including special assessments are due and payable on November 1st of each year or as soon thereafter as the assessment roll comes into the hands of the Clay County Tax Collector. Taxes and special assessments on real property may be prepaid in four quarterly installments beginning not later than June 30th of the year in which assessed. Taxes, including special assessments, become delinquent on April 1st following the year in which assessed.

Delinquent taxes and special assessments are subject to collection through the sale of tax certificates on real property and the issuance of warrants for seizure and sale of tangible personal property. If there is no sale of tax certificates, a certificate is issued in the name of the County.

Lake Asbury Municipal Service Benefit District
Notes to Financial Statements
September 30, 2013

NOTE 7 Notes Payable

Note payable to Wachovia Bank secured by special assessment revenue. Annual payments of \$43,907 including interest at 4.35%. Final payment due February 2016. \$ 121,041

Note payable to Ameris Bank secured by special assessments and subordinate to the note payable to Wachovia Bank. Annual installments of \$132,988 due in June of each year with final payment due in June 2019. Interest rate is fixed at 2.6% for five years and then adjusts to prime minus ½%. 729,156

850,197

Less: Current Portion 152,408

\$ 697,789

Maturities of the notes payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending September 30			
2014	\$ 152,408	\$ 24,486	\$ 176,894
2015	157,088	19,806	176,894
2016	161,884	15,010	176,894
2017	123,001	9,986	132,987
2018	126,244	6,744	132,988
Thereafter	<u>129,572</u>	<u>3,416</u>	<u>132,988</u>
Total	<u>\$ 850,197</u>	<u>\$ 79,447</u>	<u>\$ 929,644</u>

NOTE 8 Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Balance 9/30/2012</u>	<u>Borrowings</u>	<u>Payments</u>	<u>Balance 9/30/2013</u>
Note Payable	\$ 998,072	\$ -	\$ 147,875	\$ 850,197

Lake Asbury Municipal Service Benefit District
Notes to Financial Statements
September 30, 2013

NOTE 9 Subsequent Events

Subsequent events have been evaluated through May 13, 2014, the date the financial statements were available to be issued.

INDEPENDENT AUDITORS' MANAGEMENT LETTER

The Board of District Trustees
Lake Asbury Municipal Service Benefit District
Doctors Inlet, Florida

We have audited the financial statements of Lake Asbury Municipal Service Benefit District (the "District"), as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated May 13, 2014.

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 the *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 Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, if any, which is dated May 13, 2014, should be considered in conjunction with this management letter.

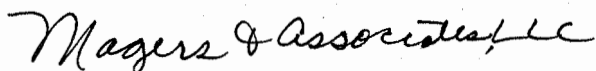
Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports or schedule:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit report.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include 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 the District complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in our management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have

occurred, or are likely to have occurred, that have an effect on financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

- Section 10.554(1)(i)5., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The District is a special district created by 1986 House Bill 696 of the State of Florida Legislature for the purpose of continuing maintenance of the lakes and dams known as Lake Asbury, South Lake Asbury and Lake Ryan in Clay County, Florida. It is composed of nine members (trustees) residing within the District who are qualified electors of the State of Florida.
- Section 10554(1)(i)6.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)6.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the District for the fiscal year ended September 30, 2013, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2013.
- Pursuant to Sections 10.554(i)6.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the District's 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.

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



Magers & Associates, LLC
Orange Park, FL
May 13, 2014

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

The Board of District Trustees
Lake Asbury Municipal Service Benefit District
Doctors Inlet, 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 *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lake Asbury Municipal Service Benefit District (the "District"); as of and for the year ended September 30, 2013, and the related notes to the financial statements and have issued our report thereon dated May 13, 2014.

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 opinion 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Magers & Associates LLC

Magers & Associates, LLC
Orange Park, FL
May 13, 2014