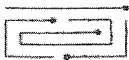


**LAKE ASBURY MUNICIPAL
SERVICE BENEFIT DISTRICT**

**Financial Statements
For the Year Ended September 30, 2012**



Conner, Hubbard & Company, LLC
Certified Public Accountants
Orange Park, Florida

LAKE ASBURY MUNICIPAL SERVICE BENEFIT DISTRICT

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CONNER, HUBBARD & COMPANY, LLC
Certified Public Accountants

Taxation, Accounting, Pension Planning, and Business Counseling

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying component unit financial statements of Lake Asbury Municipal Service Benefit District, a component unit of the Clay County, Florida, Board of County Commissioners as of and for the year ended September 30, 2012, as listed in the table of contents. These component unit financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

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

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of Lake Asbury Municipal Service Benefit District as of September 30, 2012, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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The Board of District Trustees
Lake Asbury Municipal Service Benefit District
Page 2 of 2

In accordance with Government Auditing Standards we have also issued our report dated February 22, 2013, on our consideration of Lake Asbury Municipal Service Benefit District's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Conner, Hubbard + Company, LLC

Conner, Hubbard & Company, LLC
Certified Public Accountants

February 22, 2013

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

Lake Asbury Municipal Service Benefit District
Management's Discussion and Analysis
September 30, 2012

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, 2012. 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 Authority 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. Subsequent to year-end, the District entered into an approximate \$650,000 contract for capital improvements to the xxxx spillway.

Financial Highlights

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

	<u>2012</u>	<u>2011</u>
Special assessments	\$ 268,200	\$ 259,518
Loan Proceeds	840,000	-
Other	<u>1,110</u>	<u>2,539</u>
	<u>1,109,310</u>	<u>262,057</u>
Repairs and maintenance	78,514	12,554
Debt service	43,886	43,883
Other	<u>72,242</u>	<u>46,072</u>
	<u>194,642</u>	<u>102,509</u>
	 <u>\$ 914,668</u>	 <u>\$ 67,145</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 is payable in June of each year with the first payment due in 2013.

Subsequent to year end, the district entered into a contract for improvements to the South Dam for approximately \$625,000.

Lake Asbury Municipal Service Benefit District
Management's Discussion and Analysis
September 30, 2012

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 will be \$176,894 in the year ending September 30, 2013 compared to estimated special revenue receipts of approximately \$260,000. Excess revenues may be used for other operating expenses.

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

	<u>2012</u>	<u>2011</u>
Cash	\$ 272,281	\$ 197,240
Cash, Restricted	840,000	-
Other	19,057	4,069
Land	<u>6,003</u>	<u>6,003</u>
Total Assets	<u>1,137,341</u>	<u>207,312</u>
Accounts Payable	5,156	4,702
Interest Payable	10,893	5,613
Long-term Debt	<u>998,072</u>	<u>193,559</u>
Total Liabilities	<u>1,014,121</u>	<u>203,874</u>
Net Assets	<u>\$ 123,220</u>	<u>\$ 3,438</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 Liabilities. 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, 2012

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 is 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. The District is a component unit and integral part of the Clay County Board of County Commissioners.

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 fund to ensure and demonstrate compliance with finance-related laws and regulations. All the governmental activities of the District are reflected in this 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 , 2012

	Governmental Activities
ASSETS	
Cash	\$ 272,281
Cash, Restricted	840,000
Prepaid Expenses	337
Total Current Assets	1,112,618
Land	6,003
Loan Costs, net	18,720
Total Assets	\$ 1,137,341
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 5,156
Accrued Interest	10,893
Current Portion, Long-Term Debt	147,875
Total Current Liabilities	163,924
Notes Payable	998,072
Less Current Portions	(147,875)
Total Long-Term Debt	850,197
Total Liabilities	\$ 1,014,121
NET ASSETS	
Invested in Capital Assets	\$ 6,003
Unrestricted	117,217
Total Net Assets	\$ 123,220

See accompanying notes to financial statements.

LAKE ASBURY MUNICIPAL SERVICE BENEFIT DISTRICT
Statement of Activities and Changes in Net Assets
Year ended September 30, 2012

Revenues	
Special Assessments	\$ 259,411
Interest Income	<u>1,110</u>
Total Revenue	<u>260,521</u>
Expenditures	
Personal Services	2,356
Professional Services	22,313
Accounting and Auditing	4,905
Other Contracted Support	6,773
Travel and Per Diem	406
Communications and Postage	353
Utilities	546
Insurance	4,269
Repairs and Maintenance	78,514
Printing and binding	59
Promotional Activities	145
Other Expense	-
Office Expense	142
Memberships & Subscriptions	175
Amortization	2,593
Interest Expenses	13,679
Other debt service costs	<u>3,511</u>
Total Expenditures	<u>140,739</u>
Excess of Revenues over Expenditures	119,782
Net Assets, Beginning	<u>3,438</u>
Net Assets Ending	<u><u>\$ 123,220</u></u>

See accompanying notes to financial statements.

LAKE ASBURY MUNICIPAL SERVICE BENEFIT DISTRICT
Balance Sheet - Governmental Fund
September 30 , 2012

ASSETS

Cash	\$ 272,231
Cash, Restricted	840,050
Prepaid Expenses	<u>337</u>
Total Assets	<u><u>\$ 1,112,618</u></u>

LIABILITIES

Current Liabilities	
Accounts Payable	<u><u>\$ 5,156</u></u>

FUND BALANCE

Restricted to capital improvements	\$ 840,000
Unreserved	<u>267,462</u>
Total Fund Balance	<u><u>\$ 1,107,462</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, 2012

Fund Balance - Total Governmental Funds	1,107,462
---	-----------

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	18,720
---	--------

Land	6,003
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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	(998,072)
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Accrued interest due is not reported as a liability of the Governmental funds	<u>(10,893)</u>
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Net Assets of the Governmental Funds	<u><u>\$ 123,220</u></u>
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-

See accompanying notes to financial statements.

LAKE ASBURY MUNICIPAL SERVICE BENEFIT DISTRICT

Statement of Activities and Changes in Net Assets

Year ended September 30, 2012

	<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	\$ -
Loan Proceeds			840,000	840,000
Interest Income	<u>3,000</u>	<u>3,000</u>	<u>1,110</u>	<u>(1,890)</u>
 Total Revenue	 <u>271,200</u>	 <u>271,200</u>	 <u>1,109,310</u>	 <u>838,110</u>
Expenditures				
Personal Services	5,935	5,935	2,356	(3,579)
Professional Services	28,000	28,000	22,313	(5,687)
Accounting and Auditing	6,200	6,200	4,905	(1,295)
Other Contracted Support	8,824	8,824	6,773	(2,051)
Travel and Per Diem	1,150	1,150	406	(744)
Communications and Postage	675	675	353	(322)
Utilities	500	500	546	46
Insurance	9,175	9,175	4,269	(4,906)
Repairs and Maintenance	81,850	81,850	78,514	(3,336)
Promotional Activities	750	750	145	(605)
Commissions, discounts & fees	\$ 9,000	\$ 9,000	8,789	(211)
Office Expense	-	-	201	201
Memberships & Subscriptions	740	740	175	(565)
Capital Outlay	225,000	204,000	-	(204,000)
Debt principal payments	34,008	34,008	35,487	1,479
Interest	9,899	9,899	8,399	(1,500)
Loan closing costs	-	21,000	21,011	11
Contingencies	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Expenditures	 <u>421,706</u>	 <u>421,706</u>	 <u>194,642</u>	 <u>(227,064)</u>
 Excess of Revenues over Expenditures	 (150,506)	 (150,506)	 914,668	 1,065,174
 Fund Balance, Beginning of Year	 <u>192,794</u>	 <u>192,794</u>	 <u>192,794</u>	 <u>-</u>
 Fund Balance, End of Year	 <u>\$ 42,288</u>	 <u>\$ 42,288</u>	 <u>\$ 1,107,462</u>	 <u>\$ 1,065,174</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 to
 the Statement of Activities
 For the year ended September 30, 2012

Net Change in Fund Balances - Total Governmental Funds \$ 914,668

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

The borrowing and repayment of debt are reported as
 financing revenues and expenditures in Governmental Funds
 and thus contribute to the change in fund balance. In the
 Statement of Net Assets, debt activity changes
 long-term liabilities and does not effect the
 Statement of Activities:

Proceeds from borrowings	(840,000)
The cost of debt issuance is amortized in the Statement of Activities over the remaining	17,500
Repayment of debt principal	35,487

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	(5,280)
Amortization of debt issuance costs	<u>(2,593)</u>
Net Assets of the Governmental Funds	<u><u>\$ 119,782</u></u>

See accompanying notes to financial statements.

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 which is a component unit and integral part of the Clay County, Florida, Board of County Commissioners. Accordingly, they are not intended to reflect the financial position or the results of operations of the Clay County, Florida, Board of County Commissioners, the "oversight entity".

Governmental Accounting Standards Board (GASB) Statement Number 14, "Financial Reporting Entity", as amended, requires the financial statements of the Authority (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.

NOTE 1 Summary of Significant Accounting Policies (Continued)

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.

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 and the Clay County, Florida, Board of County Commissioners.

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).

At September 30, 2012, the Districts cash balances included \$840,000 which are restricted to use for capital improvements by the related loan agreement and covenants.

Lake Asbury Municipal Service Benefit District
 Notes to Financial Statements
 September 30, 2012

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 only capital asset is land, which is not depreciated.

NOTE 4 Intangible Assets

The District has incurred loan costs of which are being amortized over the loans. Amortization expense was \$2,593 for 2012.

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.

NOTE 5 Changes in Capital Assets

A summary of changes in capital assets follows:

	<u>Balance</u> <u>9/30/11</u>	<u>Addition</u>	<u>Deletion</u>	<u>Balance</u> <u>9/30/12</u>
Land	<u>\$ 6,003</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,003</u>

Lake Asbury Municipal Service Benefit District

Notes to Financial Statements

September 30, 2012

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, 2012, 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.

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. \$ 158,072

Note payable to Ameris Bank secured by special assessments and subordinated to the note payable to Wachovia Bank. Annual installments of \$132,988 due in June of each year with final payment due on June 2019. Interest rate is fixed at 2.6% for five years and then adjusts to prime minus ½%. 840,000

998,072

Less: Current Portion 147,875

\$ 850,197

Lake Asbury Municipal Service Benefit District
 Notes to Financial Statements
 September 30, 2012

NOTE 7 Notes Payable (Continued)

Maturities of the note payable are as follows:

Year ending September 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 147,875	\$ 29,019	\$ 176,894
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
Thereafter	<u>255,816</u>	<u>10,159</u>	<u>265,975</u>
Total	<u>\$ 998,072</u>	<u>\$ 108,466</u>	<u>\$1,106,538</u>

NOTE 8 Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Balance</u> <u>9/30/11</u>	<u>Borrowings</u>	<u>Payments</u>	<u>Balance</u> <u>9/30/12</u>
Note Payable	<u>\$ 193,559</u>	<u>\$ 840,000</u>	<u>\$ (35,487)</u>	<u>\$ 998,072</u>

NOTE 9 Subsequent Events

Subsequent to year end, the district entered into a contract for improvements to the South Dam for approximately \$625,000.

Subsequent events have been evaluated through February 22, 2013, the date the financial statements were available to be issued.



CONNER, HUBBARD & COMPANY, LLC
Certified Public Accountants

Taxation, Accounting, Pension Planning, and Business Counseling

INDEPENDENT AUDITORS' MANAGEMENT LETTER

The Board of District Trustees
Lake Asbury Municipal Service Benefit District
Doctors Inlet, Florida 32030

We have audited the component unit financial statements of Lake Asbury Municipal Service Benefit District (the "District"), a component unit of the Clay County, Florida, Board of County Commissioners as of and for the fiscal year ended September 30, 2011, and have issued our report thereon dated February 22, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States. We have issued our *Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters*. Disclosures in that report, if any, which is dated February 22, 2013, 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 auditor's 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.

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- Section 10.554(1)(i)3., Rules of the Auditor General requires that we address in our management letter any recommendations to improve the District's 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 in our management letter contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of contracts or grant agreements, fraud, illegal acts or abuse and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., 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)7.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)7.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, 2011, 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, 2011. The District is a component unit of Clay County, Florida and is not required to file an annual financial report.

- As required by the Rules of the Auditor General (Sections 10.554(i)7.c.) and 10.556(7)), 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 the same. Our assessment was performed as of September 30, 2012.

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 (*refer to other governmental agencies if appropriate*), and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Conner, Hubbard & Company, LLC

Conner, Hubbard & Company, LLC
Certified Public Accountants

February 22, 2013



CONNER, HUBBARD & COMPANY, LLC
Certified Public Accountants

Taxation, Accounting, Pension Planning, and Business Counseling

**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 the component unit financial statements of Lake Asbury Municipal Service Benefit District; a component unit of the Clay County, Florida, Board of County Commissioners as of and for the year ended September 30, 2012, and have issued our report thereon dated February 22, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

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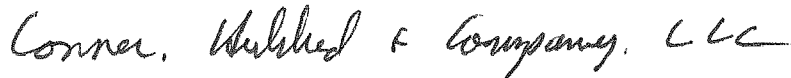
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lake Asbury Municipal Service Benefit District's component unit financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 that are required to be reported under *Government Auditing Standards*.

Distribution of Report

This report is intended solely for the information of the Lake Asbury Municipal Service Benefit District and the State of Florida Office of the Auditor General and is not intended and should not be used by anyone other than these specified parties.



Conner, Hubbard & Company, LLC
Certified Public Accountants

February 22, 2013