

**TISON'S LANDING
COMMUNITY DEVELOPMENT DISTRICT
DUVAL COUNTY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2013**

**TISON'S LANDING COMMUNITY DEVELOPMENT DISTRICT
DUVAL COUNTY, FLORIDA**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Tison's Landing Community Development District
Duval County, Florida

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Emphasis of Matters

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

As discussed in the notes to the basic financial statements, the District's Bonds have been in default from prior fiscal years. During the current fiscal year, the District paid certain delinquent debt service payments from prior fiscal years and certain scheduled debt service payments were made late. The District's failures to make its scheduled debt service payments when they are due are considered events of default.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

June 12, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Tison's Landing Community Development District, Duval County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2013. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year resulting in a net position balance of \$8,139,869.
- The change in the District's total net position in comparison with the prior fiscal year was \$13,695,223, an increase. The key components of the District's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2013, the District's governmental funds reported combined ending fund balances of \$925,837, a decrease of (\$154,867) in comparison with the prior fiscal year. A portion of fund balance is non-spendable for prepaid items and deposits, restricted for debt service and capital projects, and the remainder is unassigned fund balance which is available for spending at the District's discretion.
- During fiscal year 2013, the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board ("FASB") and American Institute of Certified Public Accountants ("AICPA") Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Please see New Accounting Standards Adopted in Note 2 of the financial statements for additional information.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as the introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements include all governmental activities that are principally supported by special assessment revenues. The District does not have any business-type activities. The governmental activities of the District include the general government (management) and maintenance functions.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Fund Financial Statements

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

Governmental Funds

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

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

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

	NET POSITION SEPTEMBER 30,	
	2013	2012
Assets, excluding capital assets	\$ 990,311	\$ 2,094,416
Capital assets	13,454,520	14,364,975
Total assets	<u>14,444,831</u>	<u>16,459,391</u>
Liabilities, excluding long-term liabilities	207,437	934,799
Long-term liabilities	6,097,525	20,769,198
Total liabilities	<u>6,304,962</u>	<u>21,703,997</u>
Net position		
Net investment in capital assets	7,356,995	(6,093,438)
Restricted	751,199	818,031
Unrestricted	31,675	30,801
Total net position (deficit)	<u>\$ 8,139,869</u>	<u>\$ (5,244,606)</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The District's net position reflects its investment in capital assets (e.g. land, land improvements, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

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

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

CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED SEPTEMBER 30,		
	2013	2012
Revenues:		
Program revenues		
Charges for services	\$ 4,695,799	\$ 3,227,233
Operating grants and contributions	261,184	2,090,871
Capital grants and contributions	14	182
General revenues	12,795	5,600
Total revenues	<u>4,969,792</u>	<u>5,323,886</u>
Expenses:		
General government	96,231	111,368
Maintenance and operations	1,210,037	661,491
Interest	513,301	644,323
Total expenses	<u>1,819,569</u>	<u>1,417,182</u>
Special items	10,545,000	-
Change in net position	<u>13,695,223</u>	<u>3,906,704</u>
Net position (deficit) - beginning, previously stated	(5,244,606)	(9,151,310)
Effect of adoption of GASB No. 65 (Note 2)	(310,748)	-
Net position (deficit) - beginning, as restated	<u>(5,555,354)</u>	<u>(9,151,310)</u>
Net position (deficit) - ending	<u>\$ 8,139,869</u>	<u>\$ (5,244,606)</u>

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2013 was \$1,819,569. The costs of the District's activities were paid primarily by program revenues. Program revenues were comprised primarily of assessments (including prepayments) for the current and prior fiscal years. Program revenues also include contributions from the Developer. Special items reflect the gain recorded for the cancellation of \$10,545,000 of the Series 2005B Bonds. The change in expenses reflects the decrease in interest which is largely due to the cancellation of debt. Based on the amortization schedule of the Bonds, as the balance outstanding of the Bonds decreases over time, the portion of each debt service payment allocated to principal increases accordingly thereby decreasing the amount allocated to interest. Also, the change in expenses is also due to an increase in maintenance and operations expenses which is due to the conveyance of previously capitalized infrastructure improvements to other governments for ownership and maintenance responsibilities.

GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures for the fiscal year ended September 30, 2013 exceeded appropriations by \$15,107. The over expenditures were funded by available fund balance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2013, the District had \$15,354,070 invested in land and land improvements, stormwater infrastructure, recreational facilities, and equipment for its governmental activities. In the government-wide financial statements depreciation of \$1,899,550 has been taken, which resulted in a net book value of \$13,454,520. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Capital Debt

At September 30, 2013, the District had \$6,135,000 in Bonds outstanding for its governmental activities. More detailed information about the District's capital debt is presented in the notes of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND OTHER EVENTS

As discussed in the notes to the basic financial statements, the District's Bonds have been in default from prior fiscal years. During the current fiscal year, the District paid certain delinquent debt service payments from prior fiscal years and certain scheduled debt service payments were made late. The District's failures to make its scheduled debt service payments when they are due are considered events of default.

Subsequent to fiscal year end, certain Phase 3 infrastructure improvements were conveyed to Jacksonville Electric Authority for ownership and maintenance responsibilities.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, land owners, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Tison's Landing Community Development District Finance Department at 475 West Town Place, Suite 114, St. Augustine, Florida, 32092.

**TISON'S LANDING COMMUNITY DEVELOPMENT DISTRICT
DUVAL COUNTY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

	Governmental Activities
ASSETS	
Cash	\$ 3,471
Due from Developer	68,636
Accrued interest receivable	8
Assessments receivable	175,881
Prepaid items and deposits	24,042
Restricted assets:	
Cash and cash equivalents	114
Investments	718,159
Capital assets	
Nondepreciable	5,607,329
Depreciable, net	7,847,191
Total assets	14,444,831
 LIABILITIES	
Accounts payable	64,474
Accrued interest payable	142,963
Non-current liabilities:	
Due within one year	415,000
Due in more than one year	5,682,525
Total liabilities	6,304,962
 NET POSITION	
Net investment in capital assets	7,356,995
Restricted	751,199
Unrestricted	31,675
Total net position	\$ 8,139,869

See notes to the financial statements

**TISON'S LANDING COMMUNITY DEVELOPMENT DISTRICT
DUVAL COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 96,231	\$ 123,125	\$ -	\$ -	\$ 26,894
Maintenance and operations	1,210,037	-	260,881	14	(949,142)
Interest on long-term debt	513,301	4,572,674	303	-	4,059,676
Total governmental activities	1,819,569	4,695,799	261,184	14	3,137,428
General revenues:					
Miscellaneous					12,795
Total general revenues					12,795
Special Items:					
Gain on the cancellation of debt					10,545,000
Total special Items					10,545,000
Change in net position					13,695,223
Net position (deficit) - beginning, previously stated					(5,244,606)
Effect of adoption of GASB No. 65 (Note 2)					(310,748)
Net position (deficit) - beginning, as restated					(5,555,354)
Net position - ending					\$ 8,139,869

See notes to the financial statements

**TISON'S LANDING COMMUNITY DEVELOPMENT DISTRICT
DUVAL COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Projects	
ASSETS				
Cash	\$ 3,471	\$ -	\$ 114	\$ 3,585
Investments	-	718,108	51	718,159
Due from Developer	68,636	-	-	68,636
Accrued interest receivable	-	8	-	8
Assessments receivable	-	175,881	-	175,881
Prepaid items and deposits	24,042	-	-	24,042
Total assets	<u>\$ 96,149</u>	<u>\$ 893,997</u>	<u>\$ 165</u>	<u>\$ 990,311</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 64,474	\$ -	\$ -	\$ 64,474
Total liabilities	<u>64,474</u>	<u>-</u>	<u>-</u>	<u>64,474</u>
Fund balances:				
Nonspendable:				
Prepaid items and deposits	24,042	-	-	24,042
Restricted for:				
Debt service	-	893,997	-	893,997
Capital projects	-	-	165	165
Unassigned	7,633	-	-	7,633
Total fund balances	<u>31,675</u>	<u>893,997</u>	<u>165</u>	<u>925,837</u>
Total liabilities and fund balances	<u>\$ 96,149</u>	<u>\$ 893,997</u>	<u>\$ 165</u>	<u>\$ 990,311</u>

See notes to the financial statements

**TISON'S LANDING COMMUNITY DEVELOPMENT DISTRICT
DUVAL COUNTY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

Total fund balances - governmental funds		\$ 925,837
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in the governmental funds. The statement of net position includes those capital assets, net of any accumulated depreciation, in the net position of the government as a whole.</p>		
Cost of capital assets	15,354,070	
Accumulated depreciation	<u>(1,899,550)</u>	13,454,520
<p>Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.</p>		
Accrued interest payable	(142,963)	
Bonds payable	<u>(6,097,525)</u>	<u>(6,240,488)</u>
Net position of governmental activities		<u><u>\$ 8,139,869</u></u>

See notes to the financial statements

**TISON'S LANDING COMMUNITY DEVELOPMENT DISTRICT
DUVAL COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Projects	
REVENUES				
Assessments	\$ 123,125	\$ 4,572,674	\$ -	\$ 4,695,799
Developer revenues	260,881	-	-	260,881
Miscellaneous	12,795	-	-	12,795
Interest	-	303	14	317
Total revenues	<u>396,801</u>	<u>4,572,977</u>	<u>14</u>	<u>4,969,792</u>
EXPENDITURES				
Current:				
General government	96,231	-	-	96,231
Maintenance and operations	299,446	-	-	299,446
Debt service:				
Principal	-	4,130,000	-	4,130,000
Interest	-	598,846	-	598,846
Capital outlay	-	-	136	136
Total expenditures	<u>395,677</u>	<u>4,728,846</u>	<u>136</u>	<u>5,124,659</u>
Excess (deficiency) of revenues over (under) expenditures	1,124	(155,869)	(122)	(154,867)
OTHER FINANCING SOURCES (USES)				
Interfund transfer in (out)	(250)	-	250	-
Total other financing sources (uses)	<u>(250)</u>	<u>-</u>	<u>250</u>	<u>-</u>
Net change in fund balances	874	(155,869)	128	(154,867)
Fund balances - beginning	<u>30,801</u>	<u>1,049,866</u>	<u>37</u>	<u>1,080,704</u>
Fund balances - ending	<u>\$ 31,675</u>	<u>\$ 893,997</u>	<u>\$ 165</u>	<u>\$ 925,837</u>

See notes to the financial statements

**TISON'S LANDING COMMUNITY DEVELOPMENT DISTRICT
DUVAL COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

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

Net change in fund balances - total governmental funds	\$ (154,867)
The gain on the cancellation of debt is not recognized in the governmental fund financial statements, but is reported as a special item in the statement of activities.	10,545,000
Depreciation on capital assets is not recognized in the governmental fund financial statements, but is reported as an expense in the statement of activities.	(357,559)
Repayment of long-term liabilities are reported as expenditures in the governmental fund financial statements, but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities.	4,130,000
Conveyances of infrastructure improvements to other governments of previously capitalized capital assets is recorded as an expense in the statement of activities.	(552,896)
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds. The details of the differences are as follows:	
Amortization on original issue discount	(3,327)
Change in accrued interest	88,872
Change in net position of governmental activities	\$ 13,695,223

See notes to the financial statements

**TISON'S LANDING COMMUNITY DEVELOPMENT DISTRICT
DUVAL COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

Tison's Landing Community Development District ("the District") was created on August 23, 2005 pursuant to Ordinance 2005-841 enacted by the City Council of Jacksonville, Florida, under the "Uniform Community Development District Act of 1980", otherwise known as Chapter 190, Florida Statutes. The Act provides among other things, the power to manage basic services for community development, power to borrow money and issue Bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of a portion of the infrastructure necessary for community development within the District.

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Supervisors are elected by qualified electors within the District. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes. At September 30, 2013, one of the Board members is affiliated with CC Duval Property, LLC ("Developer").

The Board has the responsibility for:

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

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment. Operating-type special assessments for maintenance and debt service are treated as charges for services; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not included among program revenues are reported instead as *general revenues*.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Assessments are recognized as revenues in the year for which they are levied. Grants and similar items are to be recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Assessments

Assessments are non-ad valorem assessments on benefitted property within the District. Operating and Maintenance Assessments are based upon adopted budget and levied annually at a public hearing of the District. Debt Service Assessments are levied when Bonds are certified for collection on an annual basis. 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 an annual assessment resolution adopted by the Board of Supervisors. Assessments collected under the uniform method are mailed by the County Tax Collector on November 1 and due on or before March 31 of each year. Property owners may prepay a portion or all of the Debt Service Assessments on their property subject to various provisions in the Bond documents.

Assessments and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The portion of assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

General Fund

The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for the annual payment of principal and interest on long-term debt.

Capital Projects Fund

This fund accounts for the financial resources to be used for the acquisition or construction of major infrastructure within the District.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first for qualifying expenditures, then unrestricted resources as they are needed.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Standards Adopted

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

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

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

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

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

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

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

The implementation of GASB 65 resulted in the write off of Bond issuance costs and the effect of adoption of GASB 65 is the reduction of beginning net position by \$310,748 of the governmental activities. The effect on fiscal year 2012 had the implementation of GASB 65 occurred earlier would have resulted in a decrease in expenses of the governmental activities by \$25,228.

Assets, Liabilities and Net Position or Equity

Restricted Assets

These assets represent cash and investments set aside pursuant to Bond covenants or other contractual restrictions.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits (interest and non-interest bearing).

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The District may invest any surplus public funds in the following:

- a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act;
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c) Interest bearing time deposits or savings accounts in qualified public depositories;
- d) Direct obligations of the U.S. Treasury.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Deposits and Investments (Continued)

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due. The District records all interest revenue related to investment activities in the respective funds and reports investments at fair value.

Prepaid Items

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

Capital Assets

Capital assets which include property, plant and equipment, and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Infrastructure - stormwater	30
Infrastructure - amenity center	25
Equipment	5-10

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

Unearned Revenue

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

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized ratably over the life of the Bonds. Bonds payable are reported net of applicable premiums or discounts. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

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

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

Fund Equity/Net Position

In the fund financial statements, governmental funds report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change.

The District can establish limitations on the use of fund balance as follows:

Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Supervisors. Commitments may be changed or lifted only by the Board of Supervisors taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned fund balance – Includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. The Board may also assign fund balance as it does when appropriating fund balance to cover differences in estimated revenue and appropriations in the subsequent year's appropriated budget. Assignments are generally temporary and normally the same formal action need not be taken to remove the assignment.

The District first uses committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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

Other Disclosures

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 – BUDGETARY INFORMATION

The District is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

- a) Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- b) A Public hearing is conducted to obtain comments.
- c) Prior to October 1, the budget is legally adopted by the District Board.
- d) All budget changes must be approved by the District Board.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits

The District's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

Investments

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

	<u>Maturities</u>	<u>Fair Value</u>	<u>Credit Risk</u>
First American Government Obligation Fund Class Z	Weighted Average Maturity: 47 days	\$ 718,159	S&P AAAM

Credit risk – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

Concentration risk – No limits are required and the District places no limit on the amount the District may invest in any one issuer.

Interest rate risk – The District is not required to, nor does it have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

However, the Bond Indenture limits the type of investments held using unspent proceeds.

NOTE 5 – CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land and land improvements	\$ 6,074,925	\$ -	\$ 467,596	\$ 5,607,329
Total capital assets, not being depreciated	6,074,925	-	467,596	5,607,329
Capital assets, being depreciated				
Infrastructure - stormwater	5,773,680	-	85,300	5,688,380
Infrastructure - amenity center	4,027,806	-	-	4,027,806
Equipment	30,555	-	-	30,555
Total capital assets, being depreciated	9,832,041	-	85,300	9,746,741
Less accumulated depreciation for:				
Infrastructure - stormwater	790,051	189,613	-	979,664
Infrastructure - amenity center	739,051	160,914	-	899,965
Equipment	12,889	7,032	-	19,921
Total accumulated depreciation	1,541,991	357,559	-	1,899,550
Total capital assets, being depreciated, net	8,290,050	(357,559)	85,300	7,847,191
Governmental activities capital assets, net	\$ 14,364,975	\$ (357,559)	\$ 552,896	\$ 13,454,520

Phase 1 of the project was completed in a prior fiscal year. Phase 2 of the project was completed and the City of Jacksonville accepted certain infrastructure improvements for maintenance and ownership responsibilities in the current fiscal year. A portion of the Phase 2 infrastructure improvements that were conveyed to the City of Jacksonville totaling approximately \$864,000 were completed by the Developer. Construction of Phase 3 of the project is nearly complete. Subsequent to fiscal year end, certain Phase 3 infrastructure improvements were conveyed to Jacksonville Electric Authority for ownership and maintenance responsibilities.

Depreciation expense was charged to the maintenance and operations function.

NOTE 6 – LONG-TERM LIABILITIES

On December 1, 2005, the District issued \$10,300,000 of Special Assessment Bonds, Series 2005A and \$26,550,000 of Special Assessment Bonds, Series 2005B. The 2005A Bonds are due May 1, 2037 with a fixed interest rate of 5.625% and the 2005B Bonds were originally due November 1, 2011 with a fixed interest rate of 5.0%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1 and the principal on the Series 2005A Bonds is to be paid serially, commencing May 1, 2008. The Series 2005B Bonds were originally due in one lump sum payment on November 1, 2011. In March 2011, the Bond Indenture was amended to extend the maturity date of the Series 2005B Bonds to May 1, 2014.

The Series 2005A Bonds are subject to redemption at the option of the District prior to their maturity. The Series 2005B Bonds are not subject to optional redemption. The Bonds are subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture. This occurred during the current fiscal year as the District collected assessments from lot closings and prepaid \$3,670,000 of the Series 2005B Bonds. See Note 10 - Subsequent Events for redemption amounts subsequent to fiscal year end. In addition, during the current fiscal year, \$10,545,000 of the Series 2005B Bonds was cancelled.

NOTE 6 – LONG-TERM LIABILITIES (Continued)

The Bond Indenture established a debt service reserve requirement as well as other restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District is in compliance with the requirements of the Bond Indenture at September 30, 2013.

The previous and current Developer failed to make payment on the special assessments which ultimately secure the Bonds in prior fiscal years. As a result, certain scheduled debt service payments due during a prior fiscal year were made, in part, by draws on the Debt Service Reserve Accounts and certain debt service payments in prior fiscal years were not paid when due. Section 10.02(c) of the Bond Indenture provides that the inability of the District to fulfill its obligations under the Bond Indenture constitutes an event of default with respect to the Bonds. Resolution 2008-11 was approved by the Board of Supervisors on June 12, 2008 declaring that an event of default had occurred and that the District is therefore in default with respect to the Series 2005 Bonds. In December 2009, the District reached a settlement agreement with the Developer providing for the future payment of certain delinquent assessments. During the prior fiscal year, certain funds were collected and the District was able to make payment on certain delinquent debt service payments. The interest payment due on November 1, 2011 for the Series 2005B Bonds was paid late on November 18, 2011 and the past due principal and interest amounts from May and November 2009 on the Series 2005A and Series 2005B Bonds were paid in June 2012. Furthermore, due to the anticipated cancellation of \$10,545,000 of the Series 2005B Bonds, the interest payment due on May 1, 2012 was not paid until December 7, 2012. During the current fiscal year end, certain scheduled debt service payments were made late. The November 1, 2012 interest payment due on the Series 2005A Bonds was made on December 14, 2012 and the interest payment due on May 1, 2013 was made on May 3, 2013; the principal payment due on the Series 2005A Bonds that was due on May 1, 2013 was made on May 6, 2013. Also, the November 1, 2012 interest payment due on the Series 2005B Bonds was made on December 7, 2012 and the May 1, 2013 interest payment due on the Series 2005B Bonds was made on June 19, 2013. The District's failures to make its scheduled debt service payments when they are due are considered events of default.

First Amendment to the Trust Indenture

In June 2008, the Series 2005 Bond Indenture was amended to withdraw \$921,564 from the Acquisition and Construction Account and deposit into the Expense Account to be used to pay certain expenses (i.e. Default Expenditures). From the remaining funds in the Acquisition and Construction Account, \$1,062,490 was designated to provide working capital to the District. In addition, the construction project was declared complete as amended and certain remaining funds in the construction account, in conjunction with amounts in the reserve accounts were used to redeem a portion of the outstanding Series 2005A and Series 2005B Bonds. Pursuant to the provisions of the Bond Indenture, at least a majority of the Bond owners' consent was obtained.

Second Amendment to the Trust Indenture

In March 2011, the Series 2005 Bond Indenture was amended changing the definition of optional prepayments to include prepayment in kind by the surrender of Bonds for cancellation and to extend the maturity date of the Series 2005B Bonds to May 1, 2014. The Bondholder of 100% of the Series 2005B Bonds and the majority of the Series 2005A Bonds is an affiliate of the current Developer. The Bondholder has also agreed that until he acquires all the Series 2005A Bonds, if pledged revenues are insufficient to meet the debt service requirement on both series of Bonds, payment on the Series 2005B Bonds will be subordinate to payments on the Series 2005A Bonds. Pursuant to the provisions of the Bond Indenture, a majority of the Bond owners' consent was obtained.

NOTE 6 – LONG-TERM LIABILITIES (Continued)

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2005A	\$ 6,300,000	\$ -	\$ 460,000	\$ 5,840,000	\$ 120,000
Series 2005B	14,510,000	-	14,215,000	295,000	295,000
Discount	(40,802)	-	(3,327)	(37,475)	-
Total	<u>\$ 20,769,198</u>	<u>\$ -</u>	<u>\$ 14,671,673</u>	<u>\$ 6,097,525</u>	<u>\$ 415,000</u>

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

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2014	\$ 415,000	\$ 340,501	\$ 755,501
2015	125,000	321,750	446,750
2016	135,000	314,719	449,719
2017	140,000	307,125	447,125
2018	150,000	299,250	449,250
2019-2023	875,000	1,361,250	2,236,250
2024-2028	1,165,000	1,083,938	2,248,938
2029-2033	1,545,000	716,344	2,261,344
2034-2037	1,585,000	228,938	1,813,938
Total	<u>\$ 6,135,000</u>	<u>\$ 4,973,815</u>	<u>\$ 11,108,815</u>

NOTE 7 – DEVELOPER TRANSACTIONS

The Developer has agreed to fund the general operations of the District. In connection with that agreement, Developer contributions to the general fund were \$260,881, includes a receivable of \$68,636 at September 30, 2013.

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

NOTE 8 – MANAGEMENT COMPANY

The District has contracted with a management company to perform management advisory services, which include financial and accounting services. Certain employees of the management company also serve as officers of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, computer and other administrative costs.

NOTE 9 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

NOTE 10 – SUBSEQUENT EVENTS

Bond Payments

Subsequent to fiscal year end, the District prepaid \$225,000 of the Series 2005A Bonds and \$115,000 of the Series 2005B Bonds. The prepayments were extraordinary mandatory redemption as outlined in the Bond Indenture. The final interest and principal payment on the Series 2005B Bonds was paid on May 5, 2014.

**TISON'S LANDING COMMUNITY DEVELOPMENT DISTRICT
DUVAL COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	Budgeted Amounts Original & Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Assessments	\$ 380,570	\$ 123,125	\$ (257,445)
Developer contributions	-	260,881	260,881
Miscellaneous	-	12,795	12,795
Total revenues	380,570	396,801	16,231
EXPENDITURES			
Current:			
General government	105,325	96,231	9,094
Maintenance and operations	275,245	299,446	(24,201)
Total expenditures	380,570	395,677	(15,107)
Excess (deficiency) of revenues over (under) expenditures	-	1,124	1,124
OTHER FINANCING SOURCES (USES)			
Transfer in (out)	-	(250)	(250)
Total other financing sources (uses)	-	(250)	(250)
Net change in fund balance	\$ -	874	\$ 874
Fund balance - beginning		30,801	
Fund balance - ending		\$ 31,675	

See notes to required supplementary information

**TISON'S LANDING COMMUNITY DEVELOPMENT DISTRICT
DUVAL COUNTY, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

The District is required to establish a budgetary system and an approved Annual Budget for the general fund. The District's budgeting process is based on estimates of cash receipts and cash expenditures which are approved by the Board. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures for the fiscal year ended September 30, 2013 exceeded appropriations by \$15,107. The over expenditures were funded by available fund balance.



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
Tison's Landing Community Development District
Duval County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Tison's Landing Community Development District, Duval County, Florida ("District") as of and for the fiscal year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated June 12, 2014, which includes an emphasis of matter paragraphs.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted a matter that we reported to management of the District in a separate letter June 12, 2014.

The District's response to the finding identified in our audit is described in the accompanying Management Letter. We did not audit the District's response and, accordingly, we express no opinion on it.

Purpose of this Report

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

June 12, 2014



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

To the Board of Supervisors
Tison's Landing Community Development District
Duval County, Florida

We have audited the accompanying basic financial statements of Tison's Landing Community Development District ("District") as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated June 12, 2014, which includes an emphasis of matter paragraphs.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Florida Auditor General. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In addition, we have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards* and Chapter 10.550, Rules of the Florida Auditor General dated June 12, 2014. Disclosures in that report should be considered in conjunction with this management letter.

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the financial statements of the District, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.**
- II. Status of prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, as applicable, management, and the Board of Supervisors of Tison's Landing Community Development District, Duval County, Florida and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Tison's Landing Community Development District, Duval County, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements and the courtesies extended to us.

June 12, 2014

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2013-01 Budget:

Observation: Actual expenditures exceeded appropriations in the general fund for the fiscal year ended September 30, 2013.

Recommendation: The District should amend the budget within 60 days of fiscal year end to ensure that all expenditures are properly budgeted.

Management Response: The District will prepare the necessary budget amendment in accordance with auditor's recommendation.

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

2012-01 Budget:

Current Status: See finding no. 2013-01 above.

III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2012, except as noted above.

2. A statement as to whether or not the local governmental entity complied with Section 218.415, Florida Statutes, regarding the investment of public funds.

The District complied with Section 218.415, Florida Statutes, regarding the investment of public funds.

3. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2013, except as noted above.

4. Noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2013, except as noted above.

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

REPORT TO MANAGEMENT (Continued)

6. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2013 financial audit report.
7. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
8. We applied financial condition assessment procedures pursuant to Rule 10.556(7) and no deteriorating financial conditions were noted as of September 30, 2013. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.