

**Aberdeen
Community Development District**

ANNUAL FINANCIAL REPORT

September 30, 2013

Aberdeen Community Development District

ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2013

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REPORT OF INDEPENDENT AUDITORS

To the Board of Supervisors
Aberdeen Community Development District
St. Johns County, Florida

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Fort Pierce / Stuart

To the Board of Supervisors
Aberdeen Community Development District

Opinion

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

Emphasis of Matter

As discussed in Note K to the financial statements, bond issuance costs were expensed as of October 1, 2012 and net position was restated in accordance with Aberdeen Community Development District's implementation of Governmental Accounting Standards Board Statements No. 63 and No. 65. Our opinion is not modified with respect to this matter.

Other Matters

Management's Discussion and Analysis

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated May 21, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts.

To the Board of Supervisors
Aberdeen Community Development District

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 Aberdeen Community Development District's internal control over financial reporting and compliance.

*Berger, Toombs, Elam,
Gaines & Frank*

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

May 21, 2014

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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 balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government'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 statement of revenues, expenditures, and changes in fund balances provide reconciliations to facilitate this comparison between governmental funds and governmental activities.

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

Financial Highlights:

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

- The District's total assets were exceeded by total liabilities by \$(37,871,126) (net position). Invested in capital assets net of related debt was \$2,196,964. Unrestricted net position was \$(40,073,835). Restricted net position was \$5,745.
- Governmental activities revenues totaled \$2,493,442 while governmental activities expenses totaled \$3,334,368.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District

The following schedule provides a summary of the assets, liabilities and net position of the District.

Net Position

	Governmental Activities	
	2013	2012
Current assets	\$ 257,711	\$ 100,155
Other non-current assets	-	- *
Restricted assets	1,356,680	3,072,807
Capital assets, net of depreciation	4,962,949	5,155,360
Total Assets	6,577,340	8,328,322
Current liabilities	5,988,466	6,168,522
Non-current liabilities	38,460,000	39,190,000
Total Liabilities	44,448,466	45,358,522
Net position - invested in capital assets, net of related debt	2,196,964	(36,304,640) *
Net position-restricted	5,745	7,051
Net position-unrestricted	(40,073,835)	(732,611)
Total Net Position	\$(37,871,126)	\$(37,030,200) *

**Restated*

The increase in current assets is due to revenues in excess of expenses in the general fund in the current year.

The decrease in restricted assets is primarily due to expenditures in excess of revenues in the debt service fund.

The decrease in capital assets is due to depreciation expense in the current year.

The decrease in total liabilities is related to the principal payments on debt during the year.

The change in unrestricted net position and net position invested in capital assets, net of related debt is a result of a reclassification of debt.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District (Continued)

The following schedule provides a summary of the changes in net position of the District.

Change in Net Position

	Governmental Activities	
	2013	2012
Program Revenues		
Charges for services	\$ 2,487,601	\$ 2,385,849
General Revenues		
Investments earnings	1,290	4,070
Other revenues	4,551	-
Total Revenues	<u>2,493,442</u>	<u>2,389,919</u>
Expenses		
General government	329,441	445,274
Physical environment	437,047	653,009
Culture and recreation	303,454	26,961
Interest on long-term debt	2,264,426	2,347,559 *
Total Expenses	<u>3,334,368</u>	<u>3,472,803</u>
Change in Net Position	(840,926)	(1,082,884)
Net Position - Beginning of Year	<u>(37,030,200)</u>	<u>(35,947,316) *</u>
Net Position - End of Year	<u><u>\$ (37,871,126)</u></u>	<u><u>\$ (37,030,200) *</u></u>

**Restated*

The decrease in general government expenses is primarily due to a decrease in other debt service costs.

The decrease in physical environment expenses and increase in culture and recreation expenses is primarily the result of reclassifying certain expenses.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Capital Assets Activity

The following schedule provides a summary of the District's capital assets as of September 30, 2013 and 2012.

<u>Description</u>	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Land	\$ 150,000	\$ 150,000
Recreational facility and amenities	19,340	18,031
Infrastructure	5,734,313	5,734,313
Accumulated depreciation	(940,704)	(746,984)
Total Capital Assets (Net)	<u>\$ 4,962,949</u>	<u>\$ 5,155,360</u>

During the year, \$1,309 was added to buildings and recreation facilities. Depreciation expense was \$193,720.

General Fund Budgetary Highlights

The budget exceeded actual expenditures primarily because of lower operating reserve and contingency expenditures than were anticipated.

There were no amendments to the September 30, 2013 budget.

Debt Management

Governmental Activities debt includes the following:

- In October 2005, the District issued \$38,765,000 Series 2005 Special Assessment Bonds. The bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. The balance outstanding at September 30, 2013 was \$32,840,000.
- In December 2006, the District issued \$8,170,000 Series 2006-1 Special Assessment Bonds. The bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. The balance outstanding at September 30, 2013 was \$6,350,000.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Economic Factors and Next Year's Budget

The District's financial conditions continue to deteriorate and the future of the project remains uncertain. Nonpayment of assessments caused there to be insufficient funds available to make the required debt service payments on the Series 2005 and Series 2006 bonds. The failures by the District to pay its debt service are considered events of default.

Request for Information

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

Aberdeen Community Development District
STATEMENT OF NET POSITION
September 30, 2013

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 118,238
Investments	82,643
Due from other governments	13,815
Assessments receivable	11,642
Accounts receivable	650
Prepaid expenses	30,723
Total Current Assets	<u>257,711</u>
Non-Current Assets	
Restricted assets	
Investments	1,356,680
Capital assets, not being depreciated	
Land	150,000
Capital assets, being depreciated	
Infrastructure	5,734,313
Recreation facilities and amenities	19,340
Less: accumulated depreciation	<u>(940,704)</u>
Total Non-Current Assets	<u>6,319,629</u>
Total Assets	<u>6,577,340</u>
 LIABILITIES	
Current Liabilities	
Accounts payable and accrued expenses	81,874
Accrued interest	1,075,542
Matured bonds payable	2,270,000
Matured interest payable	1,831,050
Bonds payable	730,000
Total Current Liabilities	<u>5,988,466</u>
Non-Current Liabilities	
Bonds payable	<u>38,460,000</u>
Total Non-Current Liabilities	<u>38,460,000</u>
Total Liabilities	<u>44,448,466</u>
 NET POSITION	
Invested in capital assets, net of related debt	2,196,964
Restricted for capital projects	5,745
Unrestricted	<u>(40,073,835)</u>
Total Net Position	<u>\$ (37,871,126)</u>

See accompanying notes.

**Aberdeen Community Development District
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expense) Revenues and Changes in Net Position Governmental Activities</u>
Primary government			
Governmental Activities			
General government	\$ (329,441)	\$ 117,976	\$ (211,465)
Physical environment	(437,047)	141,459	(295,588)
Culture and recreation	(303,454)	173,084	(130,370)
Interest on long-term debt	(2,264,426)	2,055,082	(209,344)
Total Governmental Activities	<u>\$ (3,334,368)</u>	<u>\$ 2,487,601</u>	<u>(846,767)</u>
 General Revenues			
			1,290
			4,551
			<u>5,841</u>
			(840,926)
			<u>(37,030,200)</u>
			<u>\$ (37,871,126)</u>

See accompanying notes.

**Aberdeen Community Development District
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2013**

	General	Debt Service	Capital Projects	Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 118,238	\$ -	\$ -	\$ 118,238
Investments	82,643	-	-	82,643
Assessments receivable, net	-	11,642	-	11,642
Due from other governments	3,586	10,229	-	13,815
Accounts receivable	650	-	-	650
Prepaid expenses	30,723	-	-	30,723
Restricted assets				
Investments, at fair value	-	1,350,935	5,745	1,356,680
Total Assets	<u>\$ 235,840</u>	<u>\$ 1,372,806</u>	<u>\$ 5,745</u>	<u>\$ 1,614,391</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$ 81,874	\$ -	\$ -	\$ 81,874
Matured bonds payable	-	2,270,000	-	2,270,000
Matured interest payable	-	1,831,050	-	1,831,050
Total Liabilities	<u>\$ 81,874</u>	<u>\$ 4,101,050</u>	<u>\$ -</u>	<u>\$ 4,182,924</u>
Fund Balances:				
Nonspendable - prepaid expenses	\$ 30,723	\$ -	\$ -	\$ 30,723
Restricted - capital projects	-	-	5,745	5,745
Unassigned	123,243	(2,728,244)	-	(2,605,001)
Total Fund Balances	<u>153,966</u>	<u>(2,728,244)</u>	<u>5,745</u>	<u>(2,568,533)</u>
Total Liabilities and Fund Balances	<u>\$ 235,840</u>	<u>\$ 1,372,806</u>	<u>\$ 5,745</u>	<u>\$ 1,614,391</u>

See accompanying notes.

**Aberdeen Community Development District
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSTION OF GOVERNMENTAL ACTIVITIES
September 30, 2013**

Total Governmental Fund Balances	\$ (2,568,533)
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets (land (\$150,000), recreational facilities and amenities (\$19,340), and infrastructure (\$5,734,313), net of accumulated depreciation (\$940,704)) used in governmental activities are not financial resources and; therefore, are not reported in the funds.	4,962,949
Long-term liabilities, including bonds payable, are not due and payable in the current period and; therefore, are not reported in the funds.	(39,190,000)
Accrued interest expense for long-term debt is not a financial use and; therefore, is not reported in the funds.	<u>(1,075,542)</u>
Net Position of Governmental Activities	<u><u>\$ (37,871,126)</u></u>

See accompanying notes.

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

	General	Debt Service	Capital Projects	Totals Governmental Funds
Revenues				
Special assessments	\$ 432,519	\$ 2,055,082	\$ -	\$ 2,487,601
Investment earnings	34	1,253	3	1,290
Miscellaneous revenues	4,551	-	-	4,551
Total Revenues	<u>437,104</u>	<u>2,056,335</u>	<u>3</u>	<u>2,493,442</u>
Expenditures				
Current				
General government	205,082	124,359	-	329,441
Physical environment	245,903	-	-	245,903
Culture and recreation	300,878	-	-	300,878
Capital Outlay	-	-	1,309	1,309
Debt service				
Principal	-	690,000	-	690,000
Interest	-	2,264,426	-	2,264,426
Total Expenditures	<u>751,863</u>	<u>3,078,785</u>	<u>1,309</u>	<u>3,831,957</u>
Excess of revenues over expenditures	<u>(314,759)</u>	<u>(1,022,450)</u>	<u>(1,306)</u>	<u>(1,338,515)</u>
Other financing sources (uses)				
Operating transfers in	444,520	-	-	444,520
Operating transfers out	-	(444,520)	-	(444,520)
Total Other Financing Sources (Uses)	<u>444,520</u>	<u>(444,520)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	129,761	(1,466,970)	(1,306)	(1,338,515)
Fund Balances - October 1, 2012	<u>24,205</u>	<u>(1,261,274)</u>	<u>7,051</u>	<u>(1,230,018)</u>
Fund Balances - September 30, 2013	<u>\$ 153,966</u>	<u>\$ (2,728,244)</u>	<u>\$ 5,745</u>	<u>\$ (2,568,533)</u>

See accompanying notes.

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

Net Change in Fund Balances -Total Governmental Funds	\$ (1,338,515)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount that capital outlay (\$1,309) was less than depreciation expense (\$193,720) in the current period.	(192,411)
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Repayments of bond principal are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Position.	<u>690,000</u>
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Change in Net Position of Governmental Activities	<u><u>\$ (840,926)</u></u>
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See accompanying notes.

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Special assessments	\$ 825,968	\$ 825,968	\$ 432,519	\$ (393,449)
Investment earnings	-	-	34	34
Miscellaneous revenues	2,500	2,500	4,551	2,051
Total Revenues	<u>828,468</u>	<u>828,468</u>	<u>437,104</u>	<u>(391,364)</u>
Expenditures				
Current				
General government	168,066	168,066	205,082	(37,016)
Physical environment	317,501	317,501	245,903	71,598
Culture and recreation	342,901	342,901	300,878	42,023
Total Expenditures	<u>828,468</u>	<u>828,468</u>	<u>751,863</u>	<u>76,605</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(314,759)</u>	<u>(314,759)</u>
Other financing sources (uses)				
Transfer in	<u>-</u>	<u>-</u>	<u>444,520</u>	<u>444,520</u>
Net change in fund balances	-	-	129,761	129,761
Fund Balances - October 1, 2012	<u>-</u>	<u>-</u>	<u>24,205</u>	<u>24,205</u>
Fund Balances - September 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,966</u>	<u>\$ 153,966</u>

See accompanying notes.

Aberdeen Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

The District was created on November 5, 2003, by administrative Rule 42NN-1 of the Florida Land and Water Adjudicatory Commission, Florida, pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes. The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of the infrastructure necessary for community development within its jurisdiction. The District is authorized to issue bonds for the purpose, among others, of financing, funding, planning, establishing, acquiring, constructing or re-constructing, enlarging or extending, equipping, operating and maintaining water management, bridges or culverts, district roads, landscaping, street lights and other basic infrastructure projects within or without the boundaries of the Aberdeen Community Development District. The District is governed by a five-member Board of Supervisors who are elected for four year terms. The District operates within the criteria established by Chapter 190, Florida Statutes.

As required by GAAP, these financial statements present the Aberdeen Community Development District (the primary government) as a local unit of special-purpose government. The reporting entity for the District includes all functions of government in which the District's Board exercises oversight responsibility including, but not limited to, financial interdependency, selection of governing authority, designation of management, significant ability to influence operations and accountability for fiscal matters.

Based upon the application of the above-mentioned criteria as set forth in Governmental Accounting Standards Board ("GASB") Statement Number 14, and Statements 39 and 61, amendments of GASB Statement Number 14. The Financial Reporting Entity, the District has identified no component units.

2. Measurement Focus and Basis of Accounting

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

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

Aberdeen Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

a. Government-wide Financial Statements

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

Governmental activities are supported by special assessments, developer contributions, intergovernmental revenues and interest. Program revenues are netted with program expenses in the Statement of Activities to present the net cost of each program.

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

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

b. Fund Financial Statements

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

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

**Aberdeen Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds

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

The District has various policies governing the fund balance classifications.

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

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

Committed Fund Balance – This classification consists of amounts that can only be used for specific purposes pursuant to the constraints imposed by a formal action of the government's highest level of decision making authority.

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

Unassigned Fund Balance – This classification is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Unassigned fund balance is considered to be utilized first when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Fund Balance Spending Hierarchy - When restricted, committed, assigned, and unassigned fund balances are combined in a fund, qualified expenditures are paid first from restricted or committed fund balance, as appropriate, then assigned and finally unassigned fund balances.

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

**Aberdeen Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds (Continued)

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

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

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

Debt service expenditures are recorded only when payment is due.

3. Basis of Presentation

a. Governmental Major Funds

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

Debt Service Funds - Accounts for debt service requirements to retire the special assessment bonds which were used to finance the construction of District infrastructure improvements. The bond series is secured by a pledge of all available special assessment revenues in any fiscal year related to the improvements and a first lien on the special assessment revenues from the District lien on all acreage of benefited land.

Capital Projects Funds – Accounts for construction of infrastructure improvements within the district.

Aberdeen Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Basis of Presentation (Continued)

b. Non-current Governmental Assets/Liabilities

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

4. Assets, Liabilities, and Net Position or Equity

a. Cash and Investments

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

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

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

For purposes of the statement of cash flows, cash equivalents include time deposits and certificates of deposit with original maturities of three months or less and held in a qualified public depository as defined by Section 280.02, Florida Statutes.

**Aberdeen Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

b. Restricted Assets

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

c. Capital Assets

Capital assets, which include land and improvements, are reported in the governmental activities column in the government-wide statements.

The District defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. The valuation basis for all assets is historical cost.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation of capital assets is computed and recorded by utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Infrastructure	30 years
Recreational facilities and amenities	7-20 years

d. Budgets

Budgets are prepared and adopted after public hearings for the governmental funds, pursuant to Chapter 190, Florida Statutes. The District utilizes the same basis of accounting for budgets as it does for revenues and expenditures in its various funds. The legal level of budgetary control is at the fund level. All budgeted appropriations lapse at year end. Formal budgets are adopted for the general and debt service funds.

**Aberdeen Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013**

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

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

“Total fund balances” of the District’s governmental funds (\$2,568,533) differs from “net position” of governmental activities (\$37,871,126) reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the Governmental Fund Balance Sheet. The effect of the differences is illustrated below.

Capital related items

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

Land	\$ 150,000
Infrastructure	5,734,313
Recreational facilities and amenities	19,340
Accumulated depreciation	<u>(940,704)</u>
Total	<u>\$ 4,962,949</u>

Long-term debt transactions

Long-term liabilities applicable to the District’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Position.

Balances at September 30, 2013 were:

Bonds payable	<u>\$ (39,190,000)</u>
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Accrued interest

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

Accrued interest	<u>\$ (1,075,542)</u>
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**Aberdeen Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013**

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

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

The “net change in fund balances” for government funds (\$1,338,515) differs from the “change in net position” for governmental activities (\$840,926) reported in the Statement of Activities. The differences arise primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital related items

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

Depreciation expense	\$ (193,720)
Capital asset acquisitions	<u>1,309</u>
Total	<u>\$ (192,411)</u>

Long-term debt transactions

Repayments of bond principal are reported as expenditures in the governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used.

Bond principal payments	<u>\$ 690,000</u>
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**Aberdeen Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013**

NOTE C – CASH AND INVESTMENTS

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The investment policy of the District follows the provisions of Chapter 280, Florida Statutes regarding deposits and investments. As of September 30, 2013, the District's bank balance was \$120,289 and the carrying value was \$118,238. The District controls its exposure to custodial credit risk because it maintains all deposits in a qualified public depository in accordance with the provisions of Chapter 280, Florida Statutes, which means that all deposits are fully insured by Federal Depositors Insurance or collateralized under Chapter 280, Florida Statutes.

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

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Book Value</u>
First American Government Obligation Fund CI Z	N/A	\$ 82,561	\$ 82,561
US Bank Money Market Account Managed	N/A	1,356,680	1,356,680
State Board of Administration Florida Prime		82	82
		<u>\$ 1,439,323</u>	<u>\$ 1,439,323</u>

Interest Rate Risk

The District monitors investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Local Government Surplus Funds Trust is an authorized investment under Section 218.415, Florida Statutes. The District's investments in the state investment pool and government loans are limited by state statutory requirements and bond compliance. The District has monies invested with the Local Government Surplus Funds Trust Fund (Fund), at September 30, 2013. This fund met the requirements of a "2a-7 like pool" as defined in Government Accounting Standards Board, Statement 31. As of September 30, 2013, the District's investment in the First American Government Obligation Fund Class Y and US Bank Managed Money Market was rated AAAM by Standard & Poor's.

**Aberdeen Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013**

NOTE C – CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one issuer. The investments in US Bank Money Market Managed Accounts represent 96% of the District's total investments. The investments in First American Government Obligation Fund Class Z represent 6% of the District's total investments. The investments in Local Government Surplus Trust Fund represent less than 1% of the District's investments.

The types of deposits and investments and their level of risk exposure as of September 30, 2013 were typical of these items during the fiscal year then ended. The District considers any decline in fair value for certain investments to be temporary. In addition, the District has the ability to hold investments to maturity that have fair values less than cost. The District's investments are recorded at fair value.

NOTE D – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended September 30, 2013 were as follows:

Fund	Transfer in	Transfer out
General fund	\$ 444,520	\$ -
Debt service	-	444,520
	\$ 444,520	\$ 444,520

In the current year, \$444,520 was transferred from the debt service fund to the general fund as per the Funding Agreement discussed in Note J.

NOTE E – SPECIAL ASSESSMENT REVENUES

Special assessment revenues recognized for the 2012-2013 fiscal year were levied in October 2012. All assessments are payable on November 1 or as soon as the assessment roll is certified and delivered to the Tax Collector. Per Section 197.162, Florida Statutes, discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. Assessments paid in March are without discount. All unpaid assessments become delinquent as of April 1. Virtually all unpaid assessments that were on the assessment roll certified and delivered to the Tax Collector are collected via the sale of tax certificates on or prior to June 1. For certain parcels, the District bills and collects the annual assessments.

**Aberdeen Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013**

NOTE F – CAPITAL ASSETS

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

	Balance October 1, 2012	Additions	Deletions	Balance September 30, 2013
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 150,000	\$ -	\$ -	\$ 150,000
Total Capital Assets, Not Being Depreciated	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>150,000</u>
Capital assets, being depreciated:				
Infrastructure	5,734,313	-	-	5,734,313
Recreational facility and amenities	<u>18,031</u>	<u>1,309</u>	<u>-</u>	<u>19,340</u>
Total Capital Assets Being Depreciated	<u>5,752,344</u>	<u>1,309</u>	<u>-</u>	<u>5,753,653</u>
Less accumulated depreciation for:				
Infrastructure	(744,592)	(191,144)	-	(935,736)
Recreational facility and amenities	<u>(2,392)</u>	<u>(2,576)</u>	<u>-</u>	<u>(4,968)</u>
Total Accumulated Depreciation	<u>(746,984)</u>	<u>(193,720)</u>	<u>-</u>	<u>(940,704)</u>
Governmental Activities Capital Assets	<u>\$ 5,155,360</u>	<u>\$(192,411)</u>	<u>\$ -</u>	<u>\$ 4,962,949</u>

Depreciation expense was charged to physical environment (\$191,144) and culture and recreation (\$2,576) during the year.

NOTE G – LONG-TERM DEBT

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

Long-term debt at October 1, 2012	\$ 39,880,000
Principal payments	<u>(690,000)</u>
Long-term debt at September 30, 2013	<u>\$ 39,190,000</u>

During the year, the scheduled debt service payments on the Series 2005 bond, \$690,000, were not paid by the District. This amount is reflected as matured bonds payable in the accompanying financial statements.

**Aberdeen Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013**

NOTE G – LONG-TERM DEBT (CONTINUED)

Long-term debt is comprised of the following:

Capital Improvement Revenue Bonds

\$36,185,000 Series 2005 Special Assessment Bonds due in annual principal installments beginning May 2007 and maturing May 1, 2036. Interest at a rate of 5.5% is due May and November beginning May 2006. \$ 32,840,000

\$8,170,000 Series 2006-1 Special Assessment Bonds due in a lump sum principal payment on November 1, 2015. Interest at a rate of 5.25% is due May and November beginning May 2007. 6,350,000

\$ 39,190,000

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

Year Ending September 30,	Principal	Interest	Total
2014	\$ 730,000	\$ 2,264,425	\$ 2,994,425
2015	775,000	2,102,725	2,877,725
2016	7,165,000	1,893,413	9,058,413
2017	865,000	1,681,900	2,546,900
2018	910,000	1,634,325	2,544,325
2019-2023	5,415,000	7,360,925	12,775,925
2024-2028	7,135,000	5,701,850	12,836,850
2029-2033	9,400,000	3,515,875	12,915,875
2034-2037	<u>6,795,000</u>	<u>781,000</u>	<u>7,576,000</u>
Totals	<u>\$ 39,190,000</u>	<u>\$ 26,936,438</u>	<u>\$ 66,126,438</u>

Summary of Significant Bonds Resolution Terms and Covenants

Special Assessment Revenue Bonds, Series 2005.

Depository Funds - The bond resolution establishes certain funds and determines the order in which revenues are to be deposited into these funds. A description of the significant funds, including their purposes, is as follows:

**Aberdeen Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013**

NOTE G – LONG-TERM DEBT (CONTINUED)

1. Reserve Fund - The 2005 Reserve Account is funded from the proceeds of the Bonds in an amount equal to the reserve percentage, 6.9062%, times the deemed outstanding amount. Monies held in the reserve accounts will be used only for the purposes established in the Trust Indenture.

	Bonds	
	Reserve Balance	Reserve Requirement
Series 2005 Special Assessment Bonds	\$ 7,567	\$ 2,267,696

Special Assessment Revenue Bonds, Series 2006.

Depository Funds - The bond resolution establishes certain funds and determines the order in which revenues are to be deposited into these funds. A description of the significant funds, including their purposes, is as follows:

2. Reserve Fund - The 2006 Reserve Account is funded from the proceeds of the Bonds in an amount equal to the reserve percentage, 2.625%, times the deemed outstanding amount. Monies held in the reserve accounts will be used only for the purposes established in the Trust Indenture.

	Bonds	
	Reserve Balance	Reserve Requirement
Series 2006 Special Assessment Bonds	\$ 8,997	\$ 140,216

NOTE H – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

NOTE I – DEFICIT FUND BALANCE

The Debt Service Fund reported a deficit fund balance of \$(2,728,244) at September 30, 2013. The deficit is not expected to be covered until the bankruptcy filing is resolved and the related Property is sold.

Aberdeen Community Development District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE J – LITIGATION AND FUNDING AGREEMENT

In November 2011, the Trustee, on behalf of the bondholders, and the District entered into a Funding Agreement whereby the Trustee agreed to fund District operations with trust estate assets and, in return, the District would postpone the pending foreclosure sales unless directed by the Trustee. During the year the Trustee directed the District to file motions to reset the foreclosure sales. However, prior to the foreclosure hearing, the landowner filed for Chapter 11 Bankruptcy. As of April 9, 2014 the bankruptcy is still pending, however, bondholders and the debtors are actively negotiating towards a settlement. If, however, a settlement is not reached and no bankruptcy plan is confirmed, the District expects to reset the foreclosure sale at its earliest opportunity. The Funding Agreement, including its amendments, is effective through March 31, 2014. In the current year, \$444,520 of trust estate assets was transferred by the Trustee to fund the District and is recorded as a transfer out of the debt service fund and a transfer into the general fund.

NOTE K – NET POSITION

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

Net position, October 1, 2012 as previously reported	\$ (36,202,911)
Prior period adjustment - removal of bond issuance costs	<u>(827,289)</u>
Net position, October 1, 2012 restated	<u><u>\$ (37,030,200)</u></u>

NOTE L – SUBSEQUENT EVENTS

As of the date of this report, the District received approximately \$212,830 as per the Funding Agreement described in Note J. In addition, the District had not made the debt service payments due on November 1, 2013.



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**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
Aberdeen Community Development District
St. Johns 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 Aberdeen Community Development District, as of and for the year ended September 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated May 21, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Aberdeen Community Development District's internal control over financial reporting 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 Aberdeen Community Development District's internal control. Accordingly, we do not express an opinion on the effectiveness of Aberdeen Community Development 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be 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.

Board of Supervisors
Aberdeen Community Development District

Compliance and Other Matters

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

We noted a compliance matter and other matters that we reported to management of the District in a separate letter dated May 21, 2014.

The District's responses to the findings identified in our audit are described in the accompanying Management Letter. We did not audit the District's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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

*Berger, Toombs, Elam,
Gaines & Frank*

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

May 21, 2014



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MANAGEMENT LETTER

To the Board of Supervisors
Aberdeen Community Development District
St. Johns County, Florida

We have audited the financial statements of the Aberdeen Community Development District, Florida as of and for the year ended September 30, 2013, and have issued our report thereon dated May 21, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Florida Auditor General. We have issued our 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*. Disclosures in that report which is dated May 21, 2014 should be considered in conjunction with this Management Letter.

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

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

Findings and Recommendations

2011-01 / 2012-01 / Reserve Requirement

Finding – The Debt Service Reserve Requirement for Series 2005 and Series 2006 was not met at fiscal year end.

Recommendation – The District should make the necessary arrangements to ensure funds are available to make debt service payments.

Management Response – The District is working directly with the Trustee and Bondholders to resolve all financial issues related to the non-payment of assessments which resulted in motion to foreclose on the related property, landowner filing bankruptcy, insufficient funds to meet debt service requirements, fund balance deficits and failure to meet Debt Service Reserve Fund requirements.

Current Status: This finding has not been corrected as of September 30, 2013.

Fort Pierce / Stuart

To the Board of Supervisors
Aberdeen Community Development District

Findings and Recommendations (Continued)

2011-02 / 2012-02 / Financial Condition Assessment

Finding – The District’s financial conditions continue to deteriorate and the future of the project remains uncertain. The Debt Service Fund has reported a deficit fund balance at the end of the prior year. Nonpayment of assessments caused there to be insufficient funds available to make the required debt service payments on the Series 2005 and Series 2006 bonds. The failures by the District to pay its debt service are considered events of default. The District remains obligated with respect to the principal and interest on the Series 2005 and Series 2006 Bonds.

Recommendation – The District should maintain taking the necessary steps to improve the deteriorating financial condition.

Management Response – The District is working directly with the Trustee and Bondholders to resolve all financial issues related to the non-payment of assessments which resulted in motion to foreclose on the related property, landowner filing bankruptcy, insufficient funds to meet debt service requirements, fund balance deficits and failure to meet Debt Service Reserve Fund requirements.

Current Status: This finding has not been corrected as of September 30, 2013. The District had a net deficit fund balance in the Debt Service Fund of (\$2,728,244) at September 30, 2013 and the current year debt service payments were not made.

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

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

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

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

To the Board of Supervisors
Aberdeen Community Development District

above items that require to be disclosed.

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

Aberdeen Community Development District has met one or more of the conditions described in Section 218.503(1), Florida Statutes. The District failed to make its scheduled debt service payments due on the Series 2005 and Series 2006 Bonds in the current and prior fiscal years, as a result of a lack of funds. See Findings section above for additional information.

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

Pursuant to Chapter 119, Florida Statutes, this Management Letter is a public record and its distribution is not limited. However, in accordance with auditing standards generally accepted in the United States of America, this Management Letter is intended solely for the information of Aberdeen Community Development District and Management, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*Berger, Toombs, Elam,
Gaines & Frank*

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

May 21, 2014