

## Independent Auditor's Management Letter

To the Honorable Board of County  
Commissioners of Lee County, Florida:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lee County, Florida (the "County") as of and for the year ended September 30, 2013, and have issued our report thereon dated March 5, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Florida Auditor General*. We have issued our Report of Independent Auditor 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*, Report of Independent Auditor on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 and Chapter 10.550 *Rules of the Florida Auditor General*, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 5, 2014, should be considered in conjunction with this management letter.

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

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report with respect to the Board of County Commissioners (the "Board"). With respect to the Clerk of the Circuit Court, Property Appraiser, Sheriff, Supervisor of Elections, and Tax Collector (collectively the "County agencies"), reference to whether corrective actions have been taken is provided in separate management letters for each County agency.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit of the financial statements of the County, nothing came to our attention that would cause us to believe that the County was in noncompliance with Section 218.415 regarding the investment of public funds.

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. Reference to this matter is provided in Appendix A for the Board. We did not audit the Board's response to this matter, which is also provided in Appendix A and, accordingly, we express no opinion on it.

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, fraud, illegal acts, 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. In connection with our audit of the Board, we did not have any such findings.

Section 10.554(1)(i)5., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. Such disclosure is included in the notes to the financial statements.

Section 10.554(1)(i)6.a., *Rules of the Auditor General*, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit of the financial statements of the County, the results of our tests did not indicate the County met any of the specified conditions of a financial emergency contained in Section 218.503(1). However, our audit does not provide a legal determination on the County's compliance with this requirement.

Section 10.554(1)(i)6.b., *Rules of the Auditor General*, requires that we determine whether the annual financial report for the County for the fiscal year ended September 30, 2013, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2013. Our comparison of the financial report filed with the Florida Department of Financial Services to the County's 2013 audited financial statements resulted in no material differences.

Pursuant to Sections 10.554(1)(i)6.c. and 10.556(7), *Rules of the Auditor General*, we applied financial condition assessment procedures as of September 30, 2013. It is management's responsibility to monitor the County's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

This 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 State granting agencies, applicable management, and the Board of County Commissioners of Lee County, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Cherry Bekant LLP". The signature is written in a cursive, flowing style.

Tampa, Florida  
March 5, 2014

**LEE COUNTY, FLORIDA**  
**APPENDIX A - MANAGEMENT LETTER COMMENTS**

*FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013*

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**CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

**Observation 2013-A**

**Statement of Condition:** The County realized during the current fiscal year that there were errors in three of the Bond Amortization schedules used for the Transportation Facilities fund, resulting in the prior year amortization expense being understated and net position overstated.

**Criteria:** Accounting principles state that the amortization of bond premiums should be expenses in the period they occur.

**Effect of Condition:** Net position was overstated by \$1,993,000.

**Cause of Condition:** The County had a formula error in the excel schedules for the bond amortization schedules for the 2005A, 2005B, and 2011 Transportation Facilities Bonds. The error caused the amortization amount to be calculated incorrectly.

**Recommendation:** We recommend that the County review the amortization schedules for formula errors and provide an additional level of review to prevent the issue from occurring.

**Management's Response:** We concur with the finding; going forward we will have two separate reviewers examine each new bond amortization schedule created in Excel. The reviewers will now examine the formulas throughout the spreadsheet as well as the beginning balance data.