

June 18, 2013

To the Honorable Mayor and City Commission
City of Florida City, 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 the City of Florida City (the City) for the fiscal year ended September 30, 2012, and have issued our report thereon dated May 28, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, *Government Auditing Standards*, OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, as well as certain information related to the planned scope and timing of our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards and OMB Circular A -133 and Chapter 10.550, Rules of the Auditor General

As stated in our engagement letter dated June 14, 2010, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal or state financial assistance program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants, 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. Also in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, we examined, on a test basis, evidence about the City's compliance with the types of compliance requirements described in "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" and the Department of Financial Services' State Projects Compliance Supplement applicable to its major federal and state assistance programs and for the purpose of

expressing an opinion on the City's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City's compliance with those requirements.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to in our meeting about planning matters on October 23, 2012.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. The City has adopted GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", which classifies all sources of generally accepted accounting principles for state and local governments so that the authoritative accounting and financial reporting literature will be together in a single source, with that guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial statement users. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the allowance for doubtful accounts is based on historical Water and Sewer services revenue and analysis of collectability of individual accounts.

We evaluated key factors and assumptions to develop the estimate described above, in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We noted no sensitive disclosures.

Difficulties Encountered in Performing the Audit

We encountered the following difficulties in performing and completing our audit:

We presented several findings in the Schedule of Findings and Questioned Costs in the City's Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2012 on pages 89 - 96. As a result of these matters, the completion of the audit and issuance of our auditors' reports were delayed.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There are no uncorrected misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 28, 2013 for the financial statement audit and June 18, 2013 for the compliance reporting section of the comprehensive annual financial report .

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

As described in the schedule of findings and questioned costs presented in the compliance section of the Comprehensive Annual Financial Report, during our audit of compliance in accordance with *OMB Circular A-133, Audits of States, Local Governments, and Non-Profits Organizations*, and Chapter 10.550, Rules of the Auditor General, we noted the City did not have effective internal controls in place over the accuracy and completeness of cash management and reporting related to the federal program and did not have internal controls in place and therefore did not comply with a compliance requirements related to the Davis Bacon Act.

Other information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

In addition, with respect to the information included in the introductory and statistical sections accompanying the financial statements, we read the information and noted no material inconsistencies with the audited financial statements.

This information is intended solely for the use of Honorable Mayor, City Commission, and management of the City of Florida City and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Marcum LLP