

**PARKLANDS LEE
COMMUNITY DEVELOPMENT DISTRICT
BONITA SPRINGS, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2012**

**PARKLANDS LEE COMMUNITY DEVELOPMENT DISTRICT
BONITA SPRINGS, FLORIDA**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2-5
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Assets	6
Statement of Activities	7
Fund Financial Statements:	
Balance Sheet – Governmental Funds	8
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	9
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Notes to the Financial Statements	12-20
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	21
Notes to Required Supplementary Information	22
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	23
MANAGEMENT LETTER REQUIRED BY CHAPTER 10.550 OF THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA	24-26



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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Parklands Lee Community Development District
Bonita Springs, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Parklands Lee Community Development District, Bonita Springs, Florida (the "District") as of and for the fiscal year ended September 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2013 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, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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.

Grau & Associates
March 28, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Parklands Lee Community Development District, Bonita Springs, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2012. 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 fiscal year ended September 30, 2012 resulting in a net asset balance of \$9,196,094.
- The change in the District's total net assets in comparison with the prior fiscal year was \$4,820,769, an increase. The key components of the District's net assets and change in net assets are reflected in the table in the government-wide financial analysis section.
- At September 30, 2012, the District's governmental funds reported combined ending fund balance of \$571,624 an increase of \$3,673,879 in comparison with the prior year. A portion of fund balance is restricted for debt service, assigned for subsequent year's expense, and the remainder is unassigned fund balance which is available for spending at the District's discretion.

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 assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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.

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.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

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 balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two 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 and debt service fund. The general and debt service funds 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 assets 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 assets are reflected in the following table:

	NET ASSETS	
	SEPTEMBER 30,	
	2012	2011
Assets, excluding capital assets	\$ 693,599	\$ 973,998
Capital assets, net of depreciation	12,990,667	13,333,667
Total assets	13,684,266	14,307,665
Liabilities, excluding long-term liabilities	123,172	3,714,557
Long-term liabilities	4,365,000	6,217,783
Total liabilities	4,488,172	9,932,340
Net assets		
Invested in capital assets, net of related debt	8,729,958	3,772,580
Restricted for debt service	257,418	383,242
Unrestricted	208,718	219,503
Total net assets	\$ 9,196,094	\$ 4,375,325

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

The District's net assets increased during the most recent fiscal year. The increase is primarily the result of the gain on the Bond exchange during the current fiscal year.

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

	CHANGES IN NET ASSETS FOR THE FISCAL YEAR ENDED SEPTEMBER 30,	
	2012	2011
Revenues:		
Program revenues		
Charges for services	\$ 506,707	\$ 436,298
General revenues		
Unrestricted investment earnings	342	352
Gain on Bond exchange	5,510,000	-
Sale of SPE land	-	1,398,763
Total revenues	<u>6,017,049</u>	<u>1,835,413</u>
Expenses:		
General government	109,020	184,690
Maintenance and operations	413,058	370,568
SPE operations	-	398,042
Interest	674,202	598,689
Total expenses	<u>1,196,280</u>	<u>1,551,989</u>
Change in net assets	4,820,769	283,424
Net assets beginning	4,375,325	4,091,901
Net assets ending	<u>\$ 9,196,094</u>	<u>\$ 4,375,325</u>

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2012 was \$1,196,280. The majority of the costs of the District's activities were paid by program revenues. Program revenues, comprised primarily of assessments, increased during the fiscal year due to the increased level of assessment. In addition, the District issued the Series 2011A Bonds in exchange for the Series 2005 during the current fiscal year. The Bond exchange resulted in a \$5,510,000 gain on the debt forgiveness. The decrease in current year expenses is primarily due to decreased SPE operating costs and interest costs.

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.

GENERAL BUDGETING HIGHLIGHTS (Continued)

The general fund budget for the fiscal year ended September 30, 2012 was amended to increase revenues by \$941, increase appropriations by \$27,338, increase transfers in by \$10,000, and increase use of sources by \$16,397. The increase in appropriations is primarily due to the additional costs incurred related to maintenance and operations. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2012.

The variance between budgeted and actual general fund revenues for the current fiscal year was not considered significant. Actual general fund expenditures for the fiscal year ended September 30, 2012 were less than appropriations due primarily to anticipated costs which were not incurred in the current fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2012, the District had \$15,492,000 invested in land and land improvements and infrastructure improvements. In the government-wide financial statements, depreciation of \$2,501,333 has been taken, which resulted in a net book value of \$12,990,667. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Capital Debt

At September 30, 2012, the District had \$4,365,000 in Bonds outstanding for its governmental activities. During the current fiscal year, the District issued \$4,455,000 in Series 2011A Special Assessment Refunding Bonds. The Series 2011A Bonds were issued in exchange for \$6,280,000 Series 2005A and the \$3,685,000 Series 2005B Bonds then outstanding. 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

During the current fiscal year, the District issued \$4,455,000 in Series 2011A Special Assessment Refunding Bonds due May 1, 2035, with a fixed interest rate of 5.80%. The Series 2011A Bonds were issued in exchange for \$6,280,000 Series 2005A and the \$3,685,000 Series 2005B Bonds then outstanding. The Bond exchange resulted in \$5,510,000 gain on debt forgiveness.

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 Parklands Lee Community Development District's Finance Department at 6131 Lyons Road, Suite 100, Coconut Creek, Florida, 33073.

**PARKLANDS LEE COMMUNITY DEVELOPMENT DISTRICT
 BONITA SPRINGS, FLORIDA
 STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2012**

	Governmental Activities
ASSETS	
Cash	\$ 197,320
Investments	42,520
Assessments receivable	57
Restricted assets:	
Investments	349,411
Deferred charges	104,291
Capital assets:	
Nondepreciable	5,202,000
Depreciable, net	7,788,667
Total assets	13,684,266
 LIABILITIES	
Accounts payable	17,684
Accrued interest payable	105,488
Non-current liabilities:	
Due within one year	95,000
Due in more than one year	4,270,000
Total liabilities	4,488,172
 NET ASSETS	
Invested in capital assets, net of related debt	8,729,958
Restricted for debt service	257,418
Unrestricted	208,718
Total net assets	\$ 9,196,094

See notes to the financial statements

**PARKLANDS LEE COMMUNITY DEVELOPMENT DISTRICT
 BONITA SPRINGS, FLORIDA
 STATEMENT OF ACTIVITIES
 FOR THE
 FISCAL YEAR ENDED SEPTEMBER 30, 2012**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u> <u>Governmental Activities</u>
Primary government:			
Governmental activities:			
General government	\$ 109,020	\$ 157,951	\$ 48,931
Maintenance and operations	413,058	-	(413,058)
Interest on long-term debt	674,202	348,756	(325,446)
Total governmental activities	<u>1,196,280</u>	<u>506,707</u>	<u>(689,573)</u>
General revenues:			
Unrestricted investment earnings			342
Gain on Bond exchange			<u>5,510,000</u>
Total general revenues			<u>5,510,342</u>
Change in net assets			4,820,769
Net assets - beginning			<u>4,375,325</u>
Net assets - ending			<u>\$ 9,196,094</u>

See notes to the financial statements

**PARKLANDS LEE COMMUNITY DEVELOPMENT DISTRICT
 BONITA SPRINGS, FLORIDA
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2012**

	Major Funds		Total Governmental Funds
	General	Debt Service	
ASSETS			
Cash	\$ 197,320	\$ -	\$ 197,320
Investments	42,520	349,411	391,931
Due from other funds	-	13,456	13,456
Assessments receivable	18	39	57
Total assets	<u>\$ 239,858</u>	<u>\$ 362,906</u>	<u>\$ 602,764</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 17,684	\$ -	\$ 17,684
Due to other funds	13,456	-	13,456
Total liabilities	<u>31,140</u>	<u>-</u>	<u>31,140</u>
Fund balances:			
Restricted for:			
Debt service	-	362,906	362,906
Assigned to:			
Subsequent year's expense	39,250	-	39,250
Unassigned	169,468	-	169,468
Total fund balances	<u>208,718</u>	<u>362,906</u>	<u>571,624</u>
Total liabilities and fund balances	<u>\$ 239,858</u>	<u>\$ 362,906</u>	<u>\$ 602,764</u>

See notes to the financial statements

**PARKLANDS LEE COMMUNITY DEVELOPMENT DISTRICT
 BONITA SPRINGS, FLORIDA
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2012**

Fund balance - governmental funds \$ 571,624

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in the governmental funds. The statement of net assets includes those capital assets, net of any accumulated depreciation, in the net assets of the government as a whole.

Cost of capital assets	15,492,000	
Accumulated depreciation	<u>(2,501,333)</u>	12,990,667

Bond issuance costs are not financial resources and, therefore are not reported as assets in the governmental funds. The statement of net assets includes these costs, net of amortization.

Bond issuance costs	109,032	
Accumulated amortization	<u>(4,741)</u>	104,291

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.

Accrued interest payable	(105,488)	
Bonds payable	<u>(4,365,000)</u>	<u>(4,470,488)</u>

Net assets of governmental activities		<u><u>\$ 9,196,094</u></u>
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See notes to the financial statements

**PARKLANDS LEE COMMUNITY DEVELOPMENT DISTRICT
 BONITA SPRINGS, FLORIDA
 STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	Major Funds		Total Governmental Funds
	General	Debt Service	
REVENUES			
Assessments	\$ 157,951	\$ 348,756	\$ 506,707
Interest and miscellaneous	342	-	342
Total revenues	<u>158,293</u>	<u>348,756</u>	<u>507,049</u>
EXPENDITURES			
Current:			
General government	109,020	-	109,020
Maintenance and operations	70,058	-	70,058
Debt service:			
Principal	-	90,000	90,000
Interest	-	165,060	165,060
Bond issuance costs		104,032	104,032
Total expenditures	<u>179,078</u>	<u>359,092</u>	<u>538,170</u>
Excess (deficiency) of revenues over (under) expenditures	(20,785)	(10,336)	(31,121)
OTHER FINANCING SOURCES (USES)			
Transfer in / (out)	10,000	(10,000)	-
Gain on debt forgiveness	-	3,705,000	3,705,000
Total other financing sources (uses)	<u>10,000</u>	<u>3,695,000</u>	<u>3,705,000</u>
Net change in fund balances	(10,785)	3,684,664	3,673,879
Fund balances - beginning	<u>219,503</u>	<u>(3,321,758)</u>	<u>(3,102,255)</u>
Fund balances - ending	<u>\$ 208,718</u>	<u>\$ 362,906</u>	<u>\$ 571,624</u>

See notes to the financial statements

**PARKLANDS LEE COMMUNITY DEVELOPMENT DISTRICT
 BONITA SPRINGS, 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, 2012**

Net change in fund balances - total governmental funds	\$ 3,673,879
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation on capital assets is not recognized in the governmental fund statement but is reported as an expense in the statement of activities.	(343,000)
Repayment of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the statement of net assets and are eliminated in the statement of activities.	90,000
The gain on the Bond exchange that is not recognized in the governmental fund statements is reported in the statement of activities.	1,805,000
Governmental funds report the effect of issuance of costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(299,622)
The change in accrued interest on long-term liabilities between the current and prior fiscal year is recorded in the statement of activities but not in the fund financial statements.	<u>(105,488)</u>
Change in net assets of governmental activities	<u><u>\$ 4,820,769</u></u>

See notes to the financial statements

**PARKLANDS LEE COMMUNITY DEVELOPMENT DISTRICT
BONITA SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

Parklands Lee Community Development District (the "District"), was created by City of Bonita Springs Ordinance 04-06 enacted on May 6, 2004 pursuant to 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 landowners within the District. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes.

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") Statement 14, and Statement 39, an amendment of GASB Statement 14. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District Board of Supervisors 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 during the current fiscal year as the SPE was dissolved in the prior year after the SPE property was sold to Palmira Village LLC on June 22, 2011; 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 assets 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 all platted lots within the District. Assessments are levied each November 1 on property of record as of the previous January. The fiscal year for which annual assessments are levied begins on October 1 with discounts available for payments through February 28 and become delinquent on April 1. For debt service assessments, amounts collected as advance payments are used to prepay a portion of the Bonds outstanding. Otherwise, assessments are collected annually to provide funds for the debt service on the portion of the Bonds which are not paid with prepaid assessments. The District's annual assessments are billed and collected by the County Tax Assessor/Collector. The amounts remitted to the District are net of applicable discounts or fees and include interest on monies held from the day of collection to the day of distribution. In addition, any excess fees computed by the Tax Collector are remitted to the District.

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.

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.

Assets, Liabilities and Net Assets or Equity

Restricted Assets

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity (Continued)

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits.

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.

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due. In addition, surplus funds may be deposited into certificates of deposit which are insured and any unspent Bond proceeds are required to be held in investments as specified in the Bond Indenture.

The District records all interest revenue related to investment activities in the respective funds and reports investments at fair value.

Inventories and Prepaid Items

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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 government 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 one year. 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	30

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity (Continued)

Deferred Charges

In the current year, in connection with the issuance of certain debt, the District incurred costs totaling \$109,032. In the government-wide financial statements, that amount has been capitalized and amortized over the estimated life of the Bonds using the straight line method. At September 30, 2012, the District reported accumulated amortization of \$4,741.

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized ratably over the life of the Bonds. Bonds payable are reported net of applicable premiums or discounts.

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.

Fund Equity/Net Assets

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 established by the Board of Supervisors 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity (Continued)

Fund Equity/Net Assets(Continued)

Net assets in the government-wide financial statements are categorized as invested in capital assets, net of related debt, restricted or unrestricted. Invested in capital assets, net of related debt represents net assets related to infrastructure and property, plant and equipment, net of any related debt. Restricted net assets represent the assets restricted by the District's Bond covenants or other contractual restrictions.

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

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) Public hearings are conducted to obtain public 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.

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Investments

The District's investments were held as follows at September 30, 2012:

	<u>Fair Value</u>	<u>Credit Risk</u>	<u>Maturities</u>
Money Market Mutual Funds - First American Treasury Obligation Fund CL Y	\$ 349,411	S&P AAAM	Weighted average of the fund portfolio: 54 days
Money Market Mutual Funds - Federated Treasury Obligations Fund SS	42,520	S&P AAAM	Weighted average of the fund portfolio: 48 days
Total Investments	<u>\$ 391,931</u>		

Custodial risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The District has no formal policy for custodial risk. The money market mutual funds are not evidenced by securities that exist in physical or book entry form.

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 – The District places no limit on the amount the District may invest in any one issuer.

Interest rate risk – The District does not 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 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables at September 30, 2012 were as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ -	\$ 13,456
Debt service	13,456	-
Total	<u>\$ 13,456</u>	<u>\$ 13,456</u>

The outstanding balances between funds result primarily from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made. In the case of the District, the balances between the general fund and the debt service fund relate to assessments collected in the general fund that have not yet been transferred to the debt service fund.

Interfund transfers for the fiscal year ended September 30, 2012 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 10,000	\$ -
Debt service	-	10,000
Total	<u>\$ 10,000</u>	<u>\$ 10,000</u>

Transfers are used to move revenues from the fund where collection occurs to the fund where funds have been reallocated for use. In the case of the District, transfers from the debt service fund to the general fund are related to trustee fees incurred to maintain trust accounts.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land and land improvements	\$ 5,202,000	\$ -	\$ -	\$ 5,202,000
Total capital assets, not being depreciated	5,202,000	-	-	5,202,000
Capital assets, being depreciated				
Infrastructure - storm water management	8,439,281	-	-	8,439,281
Infrastructure - roadways	1,850,719	-	-	1,850,719
Total capital assets, being depreciated	10,290,000	-	-	10,290,000
Less accumulated depreciation for:				
Infrastructure - storm water management	1,770,143	281,309	-	2,051,452
Infrastructure - roadways	388,190	61,691	-	449,881
Total accumulated depreciation	2,158,333	343,000	-	2,501,333
Total capital assets, being depreciated, net	8,131,667	(343,000)	-	7,788,667
Governmental activities capital assets, net	\$ 13,333,667	\$ (343,000)	\$ -	\$ 12,990,667

Depreciation expense was charged to maintenance and operations function.

NOTE 7 – LONG-TERM LIABILITIES

Series 2005AB Bonds

On December 15, 2004 the District issued \$20,250,000 of Special Assessment Bonds consisting of \$6,900,000 Series 2005A, due May 1, 2035 with a fixed interest of 5.8% and \$13,350,000 Series 2005B, due May 1, 2011, with a fixed interest rate of 5.125%. The Bonds were issued to provide funds to finance the cost of acquisition, construction, installation and equipping of the 2005 project, pay certain costs associated with the issuance of the 2005 Bonds, pay a portion of the interest to become due on the 2005 Bonds, and fund the 2005 Reserve account. Interest is to be paid semiannually on each May 1 and November 1. Principal on the 2005A Bonds was to be paid serially commencing May 1, 2006 through May 1, 2035. Principal on the 2005B Bonds was payable in one lump sum on May 1, 2011. The Series 2005AB Bonds were defaulted prior to the Bond exchange (see below).

Bond Exchange – Series 2011A In Exchange For Series 2005AB Bonds

In the prior years, the major Landowner failed to make payments on the special assessments which ultimately secure the Bonds. As a result, the Series 2005AB Bonds were defaulted and certain scheduled debt service payments were not paid. As of the prior fiscal year, the District accumulated \$3,705,000 principal payments, which had not been paid. The District foreclosed on the property owned by the major Landowner and put the property into the SPE. The District sold the SPE property in the prior fiscal year and the proceeds received were less than the special assessments levied on the property and pledged to secure the Series 2005 Bonds, and consequently, the outstanding Series 2005 Bonds exceeded the amount of special assessments levied on the District's lands. As a result, the District would be unable to pay the principal and interest due on the Series 2005 Bonds as the special assessment levied on the property to secure the Series 2005 Bonds were extinguished as a matter of law. The Bondholders would never receive full payment of the principal and interest due. Therefore, the District and the Trustee, acting on behalf of owners of 100% of the outstanding Series 2005 Bondholders, agreed that it was in their best interest to issue the Series 2011A Bonds in exchange for the outstanding Series 2005 Bonds. Under a proposed agreement with the holders of the Series 2005A Bonds and the Series 2005B Bonds, the proceeds of the sale of Property will be used to exchange remaining Series 2005A Bond assessments liened against remaining property for the new Series 2011 Bond assessments.

NOTE 7 – LONG-TERM LIABILITIES (Continued)

On October 11, 2011, the District issued \$4,455,000 in Series 2011A Special Assessment Refunding Bonds due May 1, 2035, with a fixed interest rate of 5.80%. The Series 2011A Bonds were issued in exchange for \$6,280,000 Series 2005A and the \$3,685,000 Series 2005B Bonds then outstanding. After payment of accrued interest on the Series 2005A Bonds, the remaining amount in the Series 2005 Trust accounts of \$283,768 was transferred to the Series 2011 Trust accounts. The exchange was authorized by 100% of the Series 2005 Bondholders.

Interest on the Series 2011A Bonds is to be paid semiannually on each May 1 and November 1, commencing November 1, 2011. Principal on the Bonds is to be paid serially beginning May 1, 2012 through May 1, 2035. The new Series 2011A Bonds will be repaid by property owners within the District with the exception of properties within the Property over the same repayment period as Series 2005A Bonds, with the final maturity of May 1, 2035.

The Series 2011A Bonds are subject to optional, mandatory sinking fund and extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture.

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 requirement. The District was in compliance with the requirements at September 30, 2012.

In connection with the Bond Exchange, there is a \$5,510,000 difference between the par value of the Series 2011A Bonds and the outstanding balances of the Series 2005AB. As of September 30, 2012, the District recognized \$3,705,000 of the difference on the fund financial statements as gain on debt forgiveness; the remaining difference of \$1,805,000, together with the \$3,705,000, was recognized as gain on debt exchange on the government-wide financial statements.

Changes in long-term liability activity for the fiscal year ended September 30, 2012 were as follows:

	Beginning Balance	Addition	Deletion	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2005A	\$ 6,280,000	\$ -	\$ 6,280,000	\$ -	\$ -
Series 2005B	3,685,000	-	3,685,000	-	-
Less: Original issue discount	(42,217)	-	(42,217)	-	-
Series 2011	-	4,455,000	90,000	4,365,000	95,000
Total	\$ 9,922,783	\$ 4,455,000	\$ 10,012,783	\$ 4,365,000	\$ 95,000

NOTE 7 – LONG-TERM LIABILITIES (Continued)

At September 30, 2012, the scheduled debt service requirements on the long-term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2013	\$ 95,000	\$ 253,170	\$ 348,170
2014	100,000	247,660	347,660
2015	105,000	241,860	346,860
2016	110,000	235,770	345,770
2017	120,000	229,390	349,390
2018-2022	700,000	1,035,590	1,735,590
2023-2027	935,000	807,360	1,742,360
2028-2032	1,255,000	500,540	1,755,540
2033-2035	945,000	111,940	1,056,940
Total	\$ 4,365,000	\$ 3,663,280	\$ 8,028,280

NOTE 8 – SHARED MAINTENANCE COSTS WITH PARKLANDS WEST

The District has an agreement with Parklands West Community Development District ("Parklands West") to share certain water management maintenance expenditures. The allocation for these shared costs is based upon the number of assessable units within each District. During the fiscal year 2012, Parklands Lee CDD had 521 assessable units and Parklands West CDD had 512 assessable units. As such, these expenditures were allocated 50.44% and 49.56% between Parklands Lee CDD and Parklands West CDD, respectively. The District's portion of these shared costs for the fiscal year ended September 30, 2012 was approximately \$70,000.

NOTE 9 – MANAGEMENT COMPANY

The District has contracted with Wrathell, Hunt and Associates, LLC to perform management 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 and other administrative costs.

NOTE 10 – 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.

**PARKLANDS LEE COMMUNITY DEVELOPMENT DISTRICT
 BONITA SPRINGS, FLORIDA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Assessments	\$ 156,608	\$ 157,743	\$ 157,951	\$ 208
Interest and miscellaneous income	500	306	342	36
Total revenues	<u>157,108</u>	<u>158,049</u>	<u>158,293</u>	<u>244</u>
EXPENDITURES				
Current:				
General government	108,976	111,314	109,020	2,294
Maintenance and operations	60,732	85,732	70,058	15,674
Total expenditures	<u>169,708</u>	<u>197,046</u>	<u>179,078</u>	<u>17,968</u>
Excess (deficiency) of revenues over (under) expenditures	(12,600)	(38,997)	(20,785)	18,212
OTHER FINANCING SOURCES				
Transfer in	-	10,000	10,000	-
Use of sources	12,600	28,997	-	(28,997)
Total other financing sources	<u>12,600</u>	<u>38,997</u>	<u>10,000</u>	<u>(28,997)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(10,785)</u>	<u>\$ (10,785)</u>
Fund balance - beginning			<u>219,503</u>	
Fund balance - ending			<u>\$ 208,718</u>	

See notes to required supplementary information

**PARKLANDS LEE COMMUNITY DEVELOPMENT DISTRICT
BONITA SPRINGS, 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. The general fund budget for the fiscal year ended September 30, 2012 was amended to increase revenues by \$941, increase appropriations by \$27,338, increase transfers in by \$10,000, and increase use of sources by \$16,397. The increase in appropriations is primarily due to the additional costs incurred related to maintenance and operations. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2012.

The variance between budgeted and actual general fund revenues for the current fiscal year was not considered significant. Actual general fund expenditures for the fiscal year ended September 30, 2012 were less than appropriations due primarily to anticipated costs which were not incurred in the current fiscal year.



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**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
Parklands Lee Community Development District
Bonita Springs, Florida

We have audited the financial statements of the governmental activities and each major fund of Parklands Lee Community Development District, Bonita Springs, Florida ("District") as of and for the fiscal year ended September 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 28, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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 over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and 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*.

This report is intended for the information of the management, Board of Supervisors of Parklands West Community Development District, Bonita Springs, 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.

Grau & Associates
March 28, 2013



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

To the Board of Supervisors
Parklands Lee Community Development District
Bonita Springs, Florida

We have audited the accompanying basic financial statements of Parklands Lee Community Development District ("District") as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated March 28, 2013.

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 State; 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 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* dated March 28, 2013. 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.**

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. This letter is intended for the information and use of management, Board of Supervisors of Parklands Lee Community Development District, Bonita Springs, 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 Parklands Lee Community Development District, Bonita Springs, 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.

Grau & Associates
March 28, 2013

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

2011-01 Omission of a major fund – The matter is resolved.

2011-02 Financial Condition Assessment and Debt Service Reserve – The matter is resolved.

2010-01: Financial Condition Assessment – The matter continued in 2011 and is resolved in 2012.

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, 2011, 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, 2012.

4. Violations of 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 more than inconsequential.

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, 2012.

5. For matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors, the following may be reported based on professional judgment:

- a. Violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse.
- b. Deficiencies in internal control that are not significant deficiencies.

There were no such matters discovered by, or that came to the attention of, the auditor, that, in our judgment, are required to be reported, for the fiscal year ended September 30, 2012.

REPORT TO MANAGEMENT (Continued)

6. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.
7. 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, 2012 financial audit report.
8. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
9. We applied financial condition assessment procedures pursuant to Rule 10.556(7) and no deteriorating financial conditions were noted. 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.