

**Lee County Board Of County Commissioners  
Agenda Item Summary**

Blue Sheet No. 20050492

**1. ACTION REQUESTED/PURPOSE:**

Present to the Board of County Commissioners the Independent Auditors' Management Letter for the fiscal year ended September 30, 2004.

**2. WHAT ACTION ACCOMPLISHES:**

Compliance with Chapter 10.550, "Rules of the Auditor General- Local Governmental Entity Audits", and Section 218.391, Florida Statutes.

**3. MANAGEMENT RECOMMENDATION:**

**4. Departmental Category:**

C 15 e

**5. Meeting Date:** April 26, 2005

**6. Agenda:**

- Consent
- Administrative Appeals
- Public
- Walk-On

**7. Requirement/Purpose: (specify)**

- Statute 218.391
- Ordinance
- Admin. Code
- Other 10.550
- Rules of FL Auditor General

**8. Request Initiated:**

**Commissioner**  
**Department** Clerk of Circuit Courts  
**Division** Finance & Records Department  
**By:** Donna G. Harn  
**Finance Director**

**9. Background:**

Per Section 218.391, Florida Statutes, a copy of the Auditors' Management Report shall be submitted to the Board of County Commissioners and filed as permanent public record in the Minutes Office of the Clerk.

The purpose of the Independent Auditors' Management Letter is to provide recommendations to improve the County's present financial management, accounting procedures, and internal control structure.

The Auditors' Management Letter was prepared by KPMG LLP for the fiscal year ended September 30, 2004. KPMG had no recommendations to improve Lee County's financial management, accounting procedures, or internal controls.

**10. Review for Scheduling:**

Department Director	Purchasing or Contracts	Human Resources	Other	County Attorney	Budget Services	County Manager/P.W. Director
<u>[Signature]</u>				<u>[Signature]</u> 4/8/05	Analyst 4/12/05 Risk 4/13/05 Grants 4/13/05 Adm. 4/14/05	<u>[Signature]</u>

**11. Commission Action:**

- Approved
- Deferred
- Denied
- Other

Rec. by CoAtty  
 Date: 4/8/05  
 Time: 9:00  
 Forwarded To:  
 Budget  
 4-8-05 10:05

RECEIVED BY  
 COUNTY ADMIN: [Signature]  
 4-8-05 11:15 AM  
 COUNTY ADMIN  
 FORWARDED TO: [Signature]  
 4-15-05  
 4:00



**KPMG LLP**  
Suite 1700  
100 North Tampa Street  
Tampa, FL 33602

## Management Letter

The Board of County Commissioners  
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, as of and for the year ended September 30, 2004, which collectively comprise Lee County, Florida's basic financial statements, and have issued our report thereon dated January 21, 2005.

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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have also issued our report dated January 21, 2005 on our consideration of Lee County, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, and the related schedule of findings and questioned costs. Disclosures in those reports and schedule 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 govern the conduct of governmental audits performed in the State of Florida and require that certain items be addressed in this letter. The *Rules of the Auditor General* Section 10.554(1)(h)(1) require that, unless otherwise required to be reported in the auditors' report on internal control over financial reporting and compliance and other matters, or in the schedule of findings and questioned costs, a management letter shall include a statement as to whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. All of the recommendations in the preceding annual financial audit report have been addressed.

The *Rules of the Auditor General*, Section 10.554(1)(h)(2) require that we determine whether or not Lee County, Florida complied with Section 218.415, *Florida Statutes*, regarding the investment of public funds. Lee County, Florida was in compliance with Section 218.415, *Florida Statutes* as it relates to the investment of public funds.

The *Rules of the Auditor General*, Section 10.554(1)(h)(3) require that we report any recommendations to improve Lee County, Florida's financial management, accounting procedures, and internal controls. Current year recommendations to improve Lee County, Florida's financial management, accounting procedures, and internal controls are included in Exhibit A.



The *Rules of the Auditor General*, Section 10.554(1)(h)(4) state that, if not already reported in the auditors' report on internal control over financial reporting and compliance and other matters or in the schedule of findings and questioned costs, the management letter shall include, unless clearly inconsequential:

- (a) Violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and were discovered within the scope of the audit.
- (b) Improper or illegal expenditures discovered within the scope of the audit that may not materially affect the financial statements.
- (c) Deficiencies in internal control that are not reportable conditions, including but not limited to:
  - (1) Improper or inadequate accounting procedures (e.g. the omission of required disclosures from the annual financial statements).
  - (2) Failures to properly record financial transactions.
  - (3) Other inaccuracies, shortages, defalcations, and instances of fraud discovered by or that come to the attention of the auditor.

The results of our audit disclosed no violations of laws, rules, regulations or contractual provisions, no improper or illegal expenditures, or other deficiencies in internal control.

The *Rules of the Auditor General* Section 10.554(1)(h)(5) also require that we report on Lee County, Florida's name or official title and legal authority. In that regard, such information has been disclosed in the notes of the financial statements.

Section 11.45, *Florida Statutes*, states that an auditor shall notify each member of the governing body of a local government entity for which deteriorating financial conditions exist which may cause a condition described in Section 218.503(1) to occur if actions are not taken to address such conditions. Management of Lee County, Florida has determined that deteriorating financial conditions do not exist which could cause a condition described in Section 218.503(1) to occur if actions are not taken to address such conditions.

As required by the *Rules of the Auditor General* Section 10.554(1)(h)(6)(a), the scope of our audit included a review of the provisions of Section 218.503(1) *Florida Statutes* regarding financial emergencies. In connection with our audit we determined that Lee County, Florida is not in a state of financial emergency as a consequence of conditions described in Section 218.503(1), *Florida Statutes*.

As required by the *Rules of the Auditor General*, Section 10.554(1)(h)(6)(b), we determined that the financial report to be filed by Lee County, Florida with the Florida Department of Banking and Finance 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, 2004.

As required by the *Rules of the Auditor General* Section 10.554(1)(h)(6)(c) and 10.556, we applied financial condition assessment procedures. It is management's responsibility to monitor Lee County, Florida'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 report is intended solely for the information and use of the Lee County, Florida Board of County Commissioners, management, 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.

KPMG LLP

January 21, 2005

**04-1 Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions**

*Observation:*

In July 2004, the Government Accounting Standards Board (GASB) issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB). This statement establishes standards for measurement, recognition and display of OPEB expense/expenditures and related liabilities, assets, note disclosures and if applicable, required supplementary information in the financial reports of state and local governments.

This statement is intended to improve the relevance and usefulness of financial reporting by (a) requiring systematic, accrual-basis measurement and recognition of OPEB cost over a period that approximates employees' years of service, and (b) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan.

*Recommendation:*

We recommend that the County begin its assessment on determining what the potential magnitude of its liability would be in the year of adoption.