

Lee County Board Of County Commissioners
Agenda Item Summary

Blue Sheet No. 20040604

1. REQUESTED MOTION:

ACTION REQUESTED:

That the Board of County Commissioners accept the annual Lee County Financial Assistance Report (FAR).

WHY ACTION IS NECESSARY:

To comply with the provisions of the Single Audit Act, as amended, Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and Florida Single Audit Act, Section 215.97, Florida Statutes.

WHAT ACTION ACCOMPLISHES:

Provides public notice of the availability of the Lee County Financial Assistance Report to the citizens of Lee County.

2. DEPARTMENTAL CATEGORY:

C15D

3. MEETING DATE:

05-25-2004

4. AGENDA:

5. REQUIREMENT/PURPOSE:
(Specify)

- CONSENT
- ADMINISTRATIVE
- APPEALS
- PUBLIC
- WALK ON TIME REQUIRED:

- STATUTE 215.97
- ORDINANCE
- ADMIN. CODE
- OTHER OMB A-133

6. REQUESTOR OF INFORMATION:

- A. COMMISSIONER
 - B. CONSTITUTIONAL OFFICE Clerk of Circuit Court
 - C. DEPARTMENT Finance & Records Department
- BY: Donna G. Harn *dh*

7. BACKGROUND:

The schedules for the Lee County Financial Assistance Report for the fiscal year ended September 30, 2003, were prepared by the Grants Accountant in the General Accounting Office of the Finance and Records Department and audited by KPMG, LLP. The audit is required pursuant to the Single Audit Act, as amended, Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and Florida Single Audit Act, Section 215.97, Florida Statutes. The FAR is a representation of federal and state grant awards, and other required sources of revenue of Lee County.

8. MANAGEMENT RECOMMENDATIONS:

9. RECOMMENDED APPROVAL:

A Department Director	B Purchasing or Contracts	C Human Resources	D Other	E County Attorney	F Budget Services				G County Manager
<i>dh</i>				<i>for scheduling 5/11/04</i>	<i>OA 5/11/04</i>	<i>OM 5/11/04</i>	<i>Risk 5/12/04</i>	<i>GC 5/14/04</i>	<i>[Signature]</i>

10. COMMISSION ACTION:

- APPROVED
- DENIED
- DEFERRED
- OTHER

Rec. by CoAtty
 Date: 5/11/04
 Time: 11:00 am
 Forwarded To: County Admin.
5/11/04 1:30 pm

RECEIVED BY
 COUNTY ADMIN [Signature]
3/11/04
4:00 pm 5/11/04
 COUNTY ADMIN
 FORWARDED TO: [Signature]
5-13-04
10:20

dh

Lee County, Florida

Financial Assistance Report

For the Year Ended September 30, 2003



Lee County, Florida
Financial Assistance Report

For the
Fiscal Year Ended September 30, 2003



LEE COUNTY
S O U T H W E S T F L O R I D A

Prepared by:
General Accounting Office, Finance & Records Department

Clerk to Board of County Commissioners

Charlie Green

LEE COUNTY, FLORIDA
 FINANCIAL ASSISTANCE REPORT
 September 30, 2003
 TABLE OF CONTENTS

	PAGE
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Schedule of Expenditures of Federal Awards and State Financial Assistance.....	2
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.....	7
Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Federal Program and State Project and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and Chapter 10.550, <i>Rules of the Auditor General</i>	9
Schedule of Findings and Questioned Costs.....	11
Independent Auditors' Report on Compliance With Requirements Applicable to the Passenger Facility Charge Program and on Internal Control Over Compliance.....	14
Schedule of Passenger Facility Charges (PFCs) Collected and Expended (As Reported to FAA).....	16
Notes to the Schedule of Passenger Facility Charges (PFCs) Collected and Expended.....	17
Management Letter.....	18
Management's Corrective Action Plan.....	21



This page intentionally left blank



KPMG LLP
Suite 1600
111 North Orange Avenue
P.O. Box 3031
Orlando, FL 32802

**Independent Auditors' Report on Compliance and on Internal Control
Over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Board of County Commissioners
Lee County, Florida:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lee County, Florida (County) as of and for the year ended September 30, 2003, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 23, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the County's basic financial statements are free of material misstatement, we performed tests of its 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, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of County Commissioners, management, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

January 23, 2004



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is
a member of KPMG International, a Swiss cooperative.

LEE COUNTY, FLORIDA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 AND STATE FINANCIAL ASSISTANCE
 For the Fiscal Year ended September 30, 2003

Federal Grantor/Pass-through Grantor/Program Title	Federal Identification Number	Federal CFDA Number	Federal Award Amount	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Natural Resources Conservation Service (NRCS)</i>				
Natural Resource Manager Salary	68-4209-3-0102	10.902	\$63,611	\$63,611
Wildlife Habitat Incentive Program - Caloosahatchee Regional Park	72420927101	10.914	19,991	18,659
<i>Passed through Florida Department of Agriculture and Consumer Services</i>				
Urban and Community Forestry Grant	01-36	10.664	4,725	3,603
Total U.S. Department of Agriculture			<u>88,327</u>	<u>85,873</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed through Florida Department of Education</i>				
Adult Education & Family Literacy Community Technology Program	817-1913A-3PCT1	84.002	120,000	110,158
Adult Education & Family Literacy Community Technology Program	817-1914A-4PCT2	84.002	120,000	30,653
21st Century Community Learning Center (FY03)	817-2443B-3RCC1	84.287	200,000	60,972
21st Century Community Learning Center (FY04)	817-2444A-4RCC1	84.287	200,000	19,903
<i>Subrecipient of Lee County School Board</i>				
Safe & Drugfree Schools & Communities Act (BRIDGES)	None	84.184L	285,238	18,453
Total U.S. Department of Education			<u>925,238</u>	<u>240,139</u>
<u>U.S. DEPARTMENT OF ENERGY</u>				
<i>Passed through Florida Department of Community Affairs</i>				
Weatherization Assistance Program (WAP) (FY03)	03-WX-2Y-09-46-01-015	81.042	16,897	16,897
Total U.S. Department of Energy			<u>16,897</u>	<u>16,897</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>				
<i>Subrecipient of United Way of Lee County</i>				
FEMA Emergency Food and Shelter FY03	LR0009	83.523	38,960	38,960
<i>Passed through Florida Department of Community Affairs</i>				
Disaster Relief Funding - Tropical Storm Gabrielle	02RM-*2-09-46-01-039	83.544	N/A	56,252
Flood Mitigation Assistance	00FM-J1-09-46-15-014	83.548	114,803	1,169
EMT (EMPA) Base Performance FY03 - (Federal Portion)	03BG-04-09-46-01-036	83.552	55,236	55,236
Lee County Terrorism Annex Grant	03-FT-1B-09-46-01-338	83.562	125,000	18,610
Citizens Corps Council	03CC-96-09-46-01-433	83.564	17,802	4,170
Hurricane Strike Module Grant	03-PR-91-09-46-01-247	83.999	25,000	25,000
Total Federal Emergency Management Agency			<u>376,801</u>	<u>199,397</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>				
Vulnerability Assessment Project	HS-83007701-0	66.476	99,500	99,500
<i>Passed through Florida Department of Environmental Protection</i>				
DEP State Revolving Loan (FY01)	CS12039232P	66.458	4,669,379	1,527,452
Total U.S. Department of Environmental Protection			<u>4,768,879</u>	<u>1,626,952</u>
<u>U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>				
<i>Passed through Florida Department of Children & Families</i>				
Family Preservation & Support Svcs (Family Connection Ctr-Visitation)	HJL13	93.556	93,237	65,400
Family Preservation & Support Svcs (Family Connection Ctr-Parent Ed)	HJL16	93.556	13,760	9,415
<i>Passed through Florida Department of Revenue</i>				
Child Support Enforcement Program (Federal Initiative)	CC336	93.563	N/A	306,508
<i>Passed through Florida Department of Community Affairs</i>				
Low Income Home Energy Assistance Program (LIHEAP FY02)	02EA-2J-09-46-01-015	93.568	318,523	147,959
Low Income Home Energy Assistance Program (LIHEAP FY03)	03EA-3R-09-46-01-015	93.568	399,290	259,169
Weatherization Assistance Program (WAP/LIHEAP) (FY03)	03LH-2J-09-46-01-015	93.568	31,190	31,190
CSBG FY03	03SB-2K-09-46-01-015	93.569	155,372	142,520
Total U.S. Department of Health & Human Services			<u>1,011,372</u>	<u>962,161</u>

LEE COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
For the Fiscal Year ended September 30, 2003

Federal Grantor/Pass-through Grantor/Program Title	Federal Identification Number	Federal CFDA Number	Federal Award Amount	Federal Expenditures
<u>U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT</u>				
CDBG Urban County Entitlement - Year 6	B-95-UC-12-0013	14.218	2,182,000	11,981
CDBG Urban County Entitlement - Year 7	B-96-UC-12-0013	14.218	2,123,000	8,595
CDBG Urban County Entitlement - Year 8	B-97-UC-12-0013	14.218	2,097,000	28,262
CDBG Urban County Entitlement - Year 9	B-98-UC-12-0013	14.218	2,061,000	25,146
CDBG Urban County Entitlement - Year 10	B-99-UC-12-0013	14.218	2,073,000	177,546
CDBG Urban County Entitlement - Year 11	B-00-UC-12-0013	14.218	2,085,000	468,431
CDBG Urban County Entitlement - Year 12	B-01-UC-12-0013	14.218	2,166,000	1,169,808
CDBG Urban County Entitlement - Year 13	B-02-UC-12-0013	14.218	2,188,000	656,343
CDBG Urban County Entitlement (Revolving Loan)	None	14.218	N/A	353,018
Supportive Housing Program (SHP - FY99)	Various	14.235	1,939,676	90,370
Supportive Housing Program (SHP - FY00)	Various	14.235	1,953,089	55,549
Supportive Housing Program (SHP - FY02)	Various	14.235	1,899,433	1,116,388
Supportive Housing Program (SHP - FY03)	Various	14.235	1,762,715	425,160
SHP LIFT Program	FL14B96-0101	14.235	400,000	36,210
SHP LIFT Program	FL14B203004	14.235	119,722	29,525
Shelter Plus Care	FL14C003001	14.238	247,320	21,464
HOME - Year 8 (FY00)	M-99-UC-12-0210	14.239	562,000	14,722
HOME - Year 9 (FY01)	M-00-UC-12-0210	14.239	561,000	75,457
HOME - Year 10 (FY02)	M-01-UC-12-0210	14.239	624,000	236,132
HOME - Year 11 (FY03)	M-02-UC-12-0210	14.239	619,000	423,567
HOPE III Sale Proceeds	H3-95-FL0003-I-A	14.239	N/A	103,603
<i>Passed through Florida Department of Health & Health Planning Council</i>				
HOPWA Renewal (7/1/02-6/30/03)	HV003	14.241	70,338	30,393
HOPWA Renewal (7/1/03-6/30/04)	HV003	14.241	62,000	15,500
Total U.S. Department of Housing & Urban Development			27,795,293	5,573,170
<u>U.S. DEPARTMENT OF THE INTERIOR</u>				
<i>Passed through Florida Fish and Wildlife Conservation Commission</i>				
Artificial Reef Construction (FY03)	FWCC 02106	15.605	25,000	25,000
<i>Passed through Florida Department of Environmental Protection</i>				
Land & Water Conservation Fund Grant - Schandler Park	LWCF12-00395	15.916	100,000	100,000
Total U.S. Department of the Interior			125,000	125,000
<u>U.S. DEPARTMENT OF JUSTICE</u>				
<i>Drug Court Implementation Initiative Grant - Part A</i>				
Local Law Enforcement Block Grant (LLEBG for CJIS) - 2000	1999-DC-VX-0050	16.585	389,319	81,027
Local Law Enforcement Block Grant (LLEBG for CJIS) - 2001	2000-LB-VX-2096	16.592	209,021	152,257
Local Law Enforcement Block Grant (LLEBG for CJIS) - 2001	2001-LB-BX-2572	16.592	228,221	101,603
Local Law Enforcement Block Grant (LLEBG for CJIS) - 2002	2002-LB-BX-0284	16.592	212,609	163,684
State Criminal Alien Assistance (SCAAP)	2002-AP-BX-0105	16.606	253,380	60,699
Bullet Proof Vest Program (FY01)	Application ID 01006137	16.607	22,872	7,912
Bullet Proof Vest Program (FY00)	00001149	16.607	53,484	4,770
<i>Passed through Florida Department of Children & Families</i>				
STOP Violence Against Women	LJ 175	16.588	402,125	147,934
<i>Passed through State of Florida Office of the Attorney General</i>				
Victims of Crime Act (VOCA)	V2321	16.575	68,770	68,770
<i>Passed through Florida Department of Law Enforcement</i>				
Edward Byrne Memorial CLEAN	03-CJ-2A-09-46-01-095	16.579	315,108	315,104
Edward Byrne Memorial T.H.U.G.S.	03-CJ-J1-09-46-01-238	16.579	37,500	21,873
Residential Substance Abuse Treatment Program	03-CJ-2J-09-46-01-004	16.593	138,750	42,616
<i>Passed through Department of Juvenile Justice</i>				
Juvenile Accountability Incentive Block Grant (NAB) (FY02-03)	NB 102	16.523	57,194	6,690
Juvenile Accountability Incentive Block Grant (NAB) (FY03-04)	NB 102	16.523	57,194	4,308
Domestic Violence Diversion for Hispanic Youth (Drive by Shooting)	Q7045	16.540	70,000	4,584
<i>Passed through Fort Myers Police Department</i>				
Weed and Seed Program	2002-WS-QX-0084	16.595	43,750	19,976
Total U.S. Department of Justice			2,559,297	1,203,807

LEE COUNTY, FLORIDA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 AND STATE FINANCIAL ASSISTANCE
 For the Fiscal Year ended September 30, 2003

Federal Grantor/Pass-through Grantor/Program Title	Federal Identification Number	Federal CFDA Number	Federal Award Amount	Federal Expenditures
U.S. INSTITUTE OF MUSEUM & LIBRARY SERVICES				
<i>Passed through Florida Department of State/Division of Library & Information Services</i>				
Summer Library Reading Partnership Pilot	02-LSTA-D10-G	45.310	7,500	7,500
Total U.S. Institute of Museum & Library Services			<u>7,500</u>	<u>7,500</u>
U.S. DEPARTMENT OF TRANSPORTATION				
<i>Passed through Federal Highway Administration and Florida Department of Transportation</i>				
Value Pricing Pilot Program (Queue Jumps)	AJ185	20.205	309,280	78,982
Value Pricing Pilot Program (Heavy Vehicle)	AJ186	20.205	1,032,000	165,539
Countywide Signal Retiming	AL311	20.205	420,000	206,800
LAP Interchange Improvements (Daniels Rd & I75)	AM314	20.205	1,006,000	1,006,000
LAP Interchange Improvements (Daniels Rd & I75)	AN015	20.205	220,746	209,645
LAP Interchange Improvements (Pine Ridge Rd @San Carlos SR865)	AN580	20.205	174,624	1,594
<i>Passed through Florida Department of Transportation</i>				
USC 5303 Planning (AK974) (Federal Portion)	FL-80-X011	20.505	45,114	33,836
USC 5303 Planning (AN562) (Federal Portion)	AN562	20.505	49,652	12,413
USC 5307 Urbanized Area Formula	FL-90-X489	20.507	5,765,003	4,937,261
USC 5311 Rural Operating Assistance (AK973)	FL-18-X020	20.509	194,800	194,800
USC 5311 Nonurbanized Area Program (AN681)	FL-18-X021	20.509	208,000	70,613
Lee County Enhanced DUI Project	J8-03-06-22	20.601	66,264	62,152
Lee County Motorcycle Safety Project	FM-03-25-01	20.605	64,550	50,681
Lee County Patriots Program	FS-03-27-14	20.605	120,080	107,430
<i>Federal Transit Administration</i>				
USC 5307 Capital	FL-90-0354	20.507	1,761,935	17,734
USC 5307 Capital	FL-90-0423	20.507	8,059,105	32,051
<i>Passed through Florida Department of Environmental Protection</i>				
National Recreation Trails Funding Prg (Hickey Crk-Greenbrier Trail)	T2114	20.219	53,939	18,255
Total U.S. Department of Transportation			<u>19,551,092</u>	<u>7,205,786</u>
U.S. DEPARTMENT OF THE TREASURY				
Federal Forfeiture - Treasury	None	21.000	N/A	17,050
Federal Forfeiture - Justice	None	21.000	N/A	33,179
Total U.S. Department of the Treasury			<u>N/A</u>	<u>50,229</u>
LEE COUNTY PORT AUTHORITY				
U.S. DEPARTMENT OF HOMELAND SECURITY				
<i>Passed through Florida Department of Community Affairs</i>				
Liberty Shield - RSW	03-LS-1P-09-46-20-102	16.007	36,302	36,302
Total U.S. Department of Homeland Security			<u>36,302</u>	<u>36,302</u>
U.S. DEPARTMENT OF TRANSPORTATION				
<i>Federal Aviation Administration</i>				
Midfield Airfield Construction/ Airport Development - RSW	AIP3-12-0135-2199	20.106	2,000,000	521,746
Design Airside Facilities - FMY	AIP3-12-0027-010-2002	20.106	150,000	109,165
Midfield Construction - RSW - Fourth Letter of Intent	AIP3-12-0135-028-2002	20.106	4,000,000	2,820,343
Midfield Construction - RSW - Equipment and Enhancements	AIP3-12-0135-029-2002	20.106	8,138,666	5,652,734
Design - Runway 6\24 Rehabilitation - RSW	AIP3-12-0135-030-2002	20.106	1,621,125	279,225
Midfield Construction - RSW - Fifth Letter of Intent	AIP3-12-0135-031-2003	20.106	4,000,000	4,000,000
Midfield Construction - RSW	AIP3-12-0135-032-2003	20.106	3,294,024	3,294,024
Letter of Intent ASO-98-01		20.106		934,757
(Grant amount to be received in future years.)				
Total U.S. Department of Transportation/Federal Aviation Administration			<u>23,203,815</u>	<u>17,611,994</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$80,465,813</u>	<u>\$34,945,207</u>

LEE COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
For the Fiscal Year ended September 30, 2003

State Grantor/Pass-through Grantor/Project Title	State Identification Number	State CSFA Number	State Award Amount	State Expenditures
<u>DEPARTMENT OF CHILDREN AND FAMILIES</u>				
State of Florida Homeless Challenge Grant	HFZ04	60.014	250,000	243,423
Homeless Housing Assistance Grant	HFZ02	60.015	288,897	129,231
Total Department of Children and Families			<u>538,897</u>	<u>372,654</u>
<u>DEPARTMENT OF COMMUNITY AFFAIRS</u>				
EMT (EMPA) Base Performance FY03 (State Portion)	03BG-04-09-46-01-036	52.008	103,196	103,196
Weatherization Assistance Program (LEHRP)	03LE-35-09-46-01-015	52.015	57,157	56,014
Hazardous Material Agreement (FY03)	03CP-11-09-46-01-169	52.023	10,346	10,346
<i>Florida Housing Finance Corporation</i>				
SHIP YR6 (State FY00-01)	LB004	52.901	2,981,236	935,992
SHIP YR7 (State FY01-02)	LB005	52.901	2,537,109	1,242,102
SHIP YR8 (State FY02-03)	LB006	52.901	3,077,757	1,074,071
SHIP YR9 (State FY03-04)	LB007	52.901	2,372,934	39,375
Total Department of Community Affairs			<u>11,139,735</u>	<u>3,461,096</u>
<u>DEPARTMENT OF ENVIRONMENTAL PROTECTION</u>				
Lee County Shore Protection Projects	99LE1	37.003	9,041,936	24,129
Bonita Beach Renourishment Project	01LE1	37.003	868,724	46,313
Waste Tire Grant	WT335	37.015	65,656	65,656
Electronic Products Collection and Recycling	HW467	37.031	75,000	25,000
Halfway Creek Stormwater Management	SP546	37.039	275,000	700
Gator Slough Watershed Management Improvements	WAP037	37.039	1,000,000	239,945
Total Department of Environmental Protection			<u>11,326,316</u>	<u>401,743</u>
<u>FLORIDA FISH & WILDLIFE CONSERVATION COMMISSION</u>				
Environmental Education - Boater Kiosk Education & Outreach Project	1139	77.001	16,425	16,133
Derelict Vessel Removal	1016	77.005	39,450	7,650
Total Florida Fish & Wildlife Conservation Commission			<u>55,875</u>	<u>23,783</u>
<u>DEPARTMENT OF HEALTH</u>				
Emergency Medical Services Matching (Electronic Data Collection)	EM1045	64.003	176,947	5,693
Emergency Medical Services Matching (Bio Hazard Trailer)	EM126	64.003	30,000	30,000
Emergency Medical Services Matching (12 Lead ECG Equipment)	M2125	64.003	15,182	15,182
Emergency Medical Services County Award	C2036	64.005	117,862	4,727
Total Department of Health			<u>339,991</u>	<u>55,602</u>
<u>STATE OF FLORIDA JUSTICE ADMINISTRATIVE COMMISSION</u>				
Grant-In-Aid Child Dependency	N/A	21.001	113,312	113,312
Total State of Florida Justice Administrative Commission			<u>113,312</u>	<u>113,312</u>
<u>DEPARTMENT OF JUVENILE JUSTICE</u>				
Juvenile Assessment Center	U4K01	80.002	398,760	94,157
Juvenile Assessment Center	U3K02	80.002	120,000	109,412
Juvenile Assessment Center	X1195	80.002	120,000	8,416
Total Department of Juvenile Justice			<u>638,760</u>	<u>211,985</u>
<u>OFFICE OF THE STATE COURTS ADMINISTRATOR</u>				
Model Family Court Pilot (FY02/03)	None	22.005	162,484	162,484
Total Office of the State Courts Administrator			<u>162,484</u>	<u>162,484</u>

LEE COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
For the Fiscal Year ended September 30, 2003

State Grantor/Pass-through Grantor/Project Title	State Identification Number	State CSFA Number	State Award Amount	State Expenditures
<u>DEPARTMENT OF STATE</u>				
<i>Division of Library & Information Services</i>				
FY03 Florida Library Literacy Grant - Roads to English	03-FLL-05	45.025	24,978	24,978
Library State Operating - State Aid	03-ST-25	45.030	1,087,679	1,087,679
<i>Division of Elections</i>				
Voting Systems Assistance - Education	None	45.029	171,913	20,907
Total Department of State			<u>1,284,570</u>	<u>1,133,564</u>
<u>DEPARTMENT OF TRANSPORTATION</u>				
Commuter Assistance	AM691	55.007	235,000	42,261
County Incentive Grant Program (Three Oaks Pkwy/Williams)	None	55.008	672,000	3,816
County Incentive Grant Program (Livingston/Imperial Connection)	None	55.008	1,131,900	296,613
Transit Block Grant - FY03	AN453	55.010	1,192,123	1,192,123
Florida Transit Corridor	AL281	55.013	5,600,000	1,216,672
Sanibel Causeway Revolving Loan	AN048	55.019	1,500,000	825,076
Sanibel and Cape Coral Toll Rehabilitation Loan	AL651	55.019	1,500,000	292,007
Value Pricing Pilot Program (Queue Jumps) (State Portion)	AJ185	N/A	38,660	8,776
Value Pricing Pilot Program (Heavy Vehicle) (State Portion)	AJ186	N/A	129,000	18,394
USC 5303 Planning (State Portion)	AK974	N/A	5,639	4,230
USC 5303 Planning (State Portion)	AN562	N/A	6,206	1,552
Total Department of Transportation			<u>12,010,528</u>	<u>3,901,520</u>
<u>LEE COUNTY PORT AUTHORITY</u>				
<u>DEPARTMENT OF TRANSPORTATION</u>				
Design/Construct Aircraft Apron - FMY	AI175	55.004	1,060,100	297,834
Midfield Terminal - RSW	AH930	55.004	40,403,279	12,556,216
Perform Environmental Audit & Cleanup - FMY	AJ830	55.004	400,000	211,799
Design & Construct Terminal Building - FMY	AL433	55.004	1,112,000	224,604
Design & Construct Multi-Use Hangars - FMY	AL496	55.004	544,500	272,826
Design & Construct T-Hangars - FMY	AL498	55.004	1,540,980	855,392
Midfield Security Grant	AM660	55.004	1,250,000	21,047
Runway 624 Rehab - RSW	AN220	55.004	3,595,000	46,538
Entrance Road Improvements - FMY	AN175	55.004	82,280	25,371
Treeline Extension (South) - RSW	AD921	55.014	26,200,000	11,198,755
Treeline North Construction - RSW	AJ746	55.014	2,408,525	2,408,025
North Treeline Access Road Construction - RSW	AL293	55.014	4,000,000	512,770
Air Cargo Rehab - RSW	AN311	55.014	985,190	38,700
Cargo Road Improvements - RSW	AN173	55.014	961,500	22,963
Total Department of Transportation			<u>84,543,354</u>	<u>28,692,840</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u><u>\$122,153,822</u></u>	<u><u>\$38,530,583</u></u>

See accompanying notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

LEE COUNTY, FLORIDA
Notes to Schedule of Expenditures of Federal Awards
And State Financial Assistance
For the Fiscal Year Ended September 30, 2003

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures incurred under all federal programs and state projects by Lee County, Florida (County) for the fiscal year ended September 30, 2003, and are recognized on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB A-133, Audits of States, Local Governments, and Non-Profit Organizations, Section 215.97, Florida Statutes, and Rules of the Auditor General, Chapter 10.550. For purposes of this schedule, federal programs and state projects include all grants and contracts entered into directly between the County and agencies and departments of the federal or state government. Federal programs or state projects passed through other government agencies, if any, are also included in the schedule.

(2) Indirect Costs

Lee County provides certain services and facilities to federal and state programs such as disbursing, banking, general data processing, office space, and furnishings. Costs for these services are allocated based on certain pre-approved allocation criteria. Lee County allocated costs for these indirect services to the Department of Housing and Urban Development's CDBG Grant in the amount of \$28,651.

(3) Subrecipients

<u>Federal Program</u>	<u>CFDA#</u>	<u>Transfers to Subrecipients</u>
CDBG Urban County Entitlement - Year 6	14.218	\$11,981
CDBG Urban County Entitlement - Year 7	14.218	8,595
CDBG Urban County Entitlement - Year 8	14.218	27,311
CDBG Urban County Entitlement - Year 9	14.218	15,369
CDBG Urban County Entitlement - Year 10	14.218	58,622
CDBG Urban County Entitlement - Year 11	14.218	80,566
CDBG Urban County Entitlement - Year 12	14.218	161,030
CDBG Urban County Entitlement - Year 13	14.218	62,255
Supportive Housing Program (SHP-FY99)	14.235	87,188
Supportive Housing Program (SHP-FY00)	14.235	55,549
Supportive Housing Program (SHP-FY02)	14.235	1,105,361
Supportive Housing Program (SHP-FY03)	14.235	423,122
Shelter Plus Care	14.238	21,464
HOME - Year 9 (FY01)	14.239	17,000
HOME - Year 10 (FY02)	14.239	48,614
HOME - Year 11 (FY03)	14.239	187,970
Total Federal Program Transfers to Subrecipients		<u>\$2,371,997</u>

LEE COUNTY, FLORIDA
Notes to Schedule of Expenditures of Federal Awards
And State Financial Assistance
For the Fiscal Year Ended September 30, 2003

Subrecipients: (continued)

<u>State Project</u>	<u>CSEA#</u>	<u>Transfers to Subrecipients</u>
Gator Slough Watershed Management Improvements	37.039	\$21,812
SHIP YR6 (State FY00-01)	52.901	935,992
SHIP YR7 (State FY01-02)	52.901	1,197,102
SHIP YR9 (State FY03-04)	52.901	722,962
State of Florida Challenge Grant	60.014	157,923
Homeless Housing Assistance Grant	60.015	<u>128,263</u>
Total State Projects Transfers to Subrecipients		<u>\$3,164,054</u>



KPMG LLP
Suite 1600
111 North Orange Avenue
P.O. Box 3031
Orlando, FL 32802

**Independent Auditors' Report on Compliance With Requirements
Applicable to Each Major Federal Program and State Project and on
Internal Control Over Compliance in Accordance With
OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General***

Board of County Commissioners
Lee County, Florida:

Compliance

We have audited the compliance of Lee County, Florida (County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the requirements described in the *Executive Office of the Governor's State Projects Compliance Supplement*, that are applicable to each of its major federal programs and state projects for the year ended September 30, 2003. The County's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs and state projects is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance 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 Auditor General*. Those standards, OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program and state project occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs and state projects for the year ended September 30, 2003. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with Chapter 10.550, *Rules of the Auditor General* which are described in the accompanying schedule of findings and questioned costs as items 03-1 through 03-2.



PMG LLP, KPMG LLP, a U.S. limited liability partnership, is
member of KPMG International, a Swiss cooperative.



Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program or state project being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards and State Financial Assistance

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of and for the year ended September 30, 2003, and have issued our report thereon dated January 23, 2004. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, management, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

January 23, 2004

LEE COUNTY, FLORIDA
Schedule of Findings and Questioned Costs
Year ended September 30, 2003

(1) Summary of Auditor's Results

- (a) The type of report issued on the basic financial statements: Unqualified opinion
- (b) Material weaknesses in internal control over financial reporting were identified by the audit of the basic financial statements: No; Reportable conditions: None reported
- (c) Noncompliance which is material to the basic financial statements: No
- (d) Material weaknesses in internal control over major programs: No; Reportable conditions: None identified
- (e) The type of report issued on compliance for major programs: Unqualified opinion
- (f) Any audit findings which are required to be reported under section .510(a) of OMB Circular A-133: No
- (g) Any audit findings disclosed that are required to be reported in accordance with Rules of the Auditor General: Yes
- (h) Major programs:

CFDA Number(s)	Federal Programs
20.106	Airport Improvement Program
Various	Highway Safety Cluster
16.592	Local Law Enforcement Block Grant
CSFA Number(s)	State Projects
52.901	State Housing Initiatives Partnership
55.019	Toll Facilities Revolving Trust Fund
55.004	Aviation Development Grants
55.014	Intermodal Development Program

- (i) Dollar threshold used to distinguish between Type A and Type B programs/projects:
\$1,048,356 for major federal programs
\$1,155,917 for major state projects
- (j) Auditee qualified as a low risk auditee:
Yes

- (2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*: None**
- (3) Federal Award Findings and Questioned Costs: None**

LEE COUNTY, FLORIDA
 Schedule of Findings and Questioned Costs
 Year ended September 30, 2003

(4) State Project Findings and Questioned Costs:

Number	Program	CSFA #	Finding/Noncompliance
03-1	SHIP	52.901	<p><i>Criteria:</i> The SHIP program guidance states that an expenditure has been incurred when “the affordable housing activity is complete and funds deposited to the local affordable housing trust fund have been transferred from the local housing assistance trust fund account to pay for the cost of the activity. In all cases, this definition will apply when the project is complete as evidenced by documentation of final payment to the contractor, and release of all lien waivers, issuance of the certificate of occupancy by the local building department, and occupancy by an eligible person or eligible household.”</p> <p><i>Condition:</i> For one subrecipient, the County is not requiring supporting documentation before issuing checks for reimbursement. The total amount received by the subrecipient is \$958,411. The subrecipient provided invoices to ascertain costs were allowable.</p> <p><i>Context:</i> Only applies to SHIP.</p> <p><i>Effect:</i> The County is not able to determine whether the costs are allowable before issuing checks for reimbursement.</p> <p><i>Cause:</i> The County exempted this subrecipient as the subrecipient constructs their own houses and is not required to submit certified draw statements.</p> <p><i>Recommendation:</i> For all subrecipients, documentation supporting reimbursement requests should be reviewed prior to any reimbursements.</p>

LEE COUNTY, FLORIDA
 Schedule of Findings and Questioned Costs
 Year ended September 30, 2003

Number	Program	CSFA #	Finding/Noncompliance
03-2	SHIP	52.901	<p><i>Criteria:</i> The County should provide its subrecipients with the information needed to comply with the requirements of the Florida Single Audit Act and should review subrecipient audit reports, including the management letter, to determine whether the subrecipient is complying with the program requirements.</p> <p><i>Condition:</i> The County did not obtain and review subrecipient audit reports, including single audit reports.</p> <p><i>Effect:</i> An audit of a subrecipient determines whether the financial statements are free from material misstatement. A single audit provides information on the state expenditures of the subrecipients and their compliance with program requirements.</p> <p><i>Context:</i> Only applies to SHIP.</p> <p><i>Cause:</i> The County has not developed and implemented a tracking method to ensure all subrecipient audit reports are obtained and reviewed.</p> <p><i>Recommendation:</i> The County should develop and implement a process to ensure that audit reports are obtained and reviewed for subrecipients including the single audit reports. Issues raised in the audit reports should be followed up on timely basis.</p>



KPMG LLP
Suite 1600
111 North Orange Avenue
P.O. Box 3031
Orlando, FL 32802

**Independent Auditors' Report on Compliance With Requirements
Applicable to the Passenger Facility Charge Program and on
Internal Control Over Compliance**

Board of County Commissioners
Lee County, Florida:

Compliance

We have audited the compliance of Lee County, Florida (County) with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide) for its passenger facility charge program for the year ended September 30, 2003. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance 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 the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended September 30, 2003.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the passenger facility charge program. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge 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 the Guide.



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is
a member of KPMG International, a Swiss cooperative.



Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to the passenger facility charge program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of County Commissioners, management, and the Federal Aviation Administration and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

January 23, 2004

Lee County, Florida
Schedule of Passenger Facility Charges (PFCs) Collected and Expended (As Reported to FAA)
For the year ended September 30, 2003

	Quarter Ended December 31, 2002	Quarter Ended March 31, 2003	Quarter Ended June 30, 2003	Quarter Ended September 30, 2003	Year Ended September 30, 2003	Cumulative Totals as of September 30, 2002	Cumulative Totals as of September 30, 2003
COLLECTIONS							
PFCs Collected	\$1,719,123	\$2,211,883	\$1,949,491	\$1,786,038	\$7,666,535	\$58,575,460	\$66,241,995
Interest Earned	68,469	90,920	94,672	90,820	344,881	5,126,674	5,471,555
Total Collection	\$1,787,592	\$2,302,803	\$2,044,163	\$1,876,858	\$8,011,416	\$63,702,134	\$71,713,550
EXPENDITURES ON APPROVED PFC PROJECTS INCLUDED IN							
Application No. 1							
92-01-C-00-RSW	\$31,723	\$31,723	\$31,723	\$31,723	\$126,892	\$18,054,121	\$18,181,013
Adjustments to Application No.							
92-01-C-00-RSW	-	-	-	-	-	(6,286,802)	(6,286,802)
	<u>31,723</u>	<u>31,723</u>	<u>31,723</u>	<u>31,723</u>	<u>126,892</u>	<u>11,767,319</u>	<u>11,894,211</u>
Application No. 2							
93-02-U-00-RSW	-	-	-	-	-	9,711,377	9,711,377
Application No. 3							
94-03-U-00-RSW	482,274	482,274	482,274	482,274	1,929,096	62,469,970	64,399,066
Application No. 4							
97-04-U-00-RSW	21,863	21,863	21,863	21,863	87,452	2,971,757	3,059,209
Total Expenditures	\$535,860	\$535,860	\$535,860	\$535,860	\$2,143,440	\$86,920,423	\$89,063,863

LEE COUNTY, FLORIDA
Notes to Schedule of Passenger Facility
Charges Collected and Expended
For the Fiscal Year Ended September 30, 2003

(1) General

The accompanying *Schedule of Passenger Facility Charges Collected and Expended* presents the activity of all passenger facility charges of Lee County, Florida (the County).

(2) Basis of Accounting

The accompanying *Schedule of Passenger Facility Charges Collected and Expended* is presented using the cash basis of accounting.



KPMG LLP
Suite 1600
111 North Orange Avenue
P.O. Box 3031
Orlando, FL 32802

January 23, 2004

Board of County Commissioners
Lee County, Florida:

We have audited the basic financial statements of Lee County, Florida (County) as of and for the year ended September 30, 2003, and have issued our report thereon dated January 23, 2004. In planning and performing our audit of the financial statements of the County we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We have not considered internal control since the date of our report.

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 issued our Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, our Report on Compliance With Requirements Applicable to Each Major Federal Program and State Project and on Internal Control Over Compliance, Report on Compliance With Requirements Applicable to the Passenger Facility Charge Program and on Internal Control Over Compliance, and the related Schedule of Findings and Questioned Costs. Disclosures in those reports and the schedule, which are dated January 23, 2004, 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*. Those rules (Section 10.554(1)(g)1.a.) require that we address in the management letter, if not already addressed in the auditors' reports on compliance and internal control or in the schedule of findings and questioned costs, whether or not inaccuracies, shortages, defalcations, fraud, and/or violations of laws, rules, regulations, and contractual provisions reported in the preceding annual financial audit report have been corrected. There were no inaccuracies, shortages, defalcations, fraud or violations of laws, rules, regulations, or contractual provisions reported in the preceding annual financial audit.

The *Rules of the Auditor General* (Section 10.554(1)(g)1.b.) require that we address in the management letter, if not already addressed in the auditors' reports on compliance and internal control or in the schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. All comments made in the preceding annual financial audit report have been addressed.



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is
a member of KPMG International, a Swiss cooperative.



As required by the *Rules of the Auditor General* (Section 10.554(1)(g)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 the County complied 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)(g)3.), require that we report any recommendations to improve the County's financial management, accounting procedures, and internal controls. There are no recommendations to improve the County's financial management, accounting procedures, and internal controls.

The *Rules of the Auditor General* (Section 10.554(1)(g)4.) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on compliance and internal controls or in the schedule of findings and questioned costs:

- a) Violations of laws, rules, regulations, and contractual provisions 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 or may not materially affect the financial statements,
- c) Other matters requiring correction that may or may not materially affect the financial statements reported on, 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 items requiring disclosure.

The *Rules of the Auditor General* (Section 10.554(1)(g)5.) also require 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. The disclosure of required information for the primary government and the component unit is made in the notes to the financial statements.

The *Rules of the Auditor General* (Section 10.554(1)(g)6.a.) state that a management letter shall include a statement as to whether or not a local governmental entity is in a state of financial emergency as a consequence of conditions described in Section 218.503(1), *Florida Statutes*. Section 218.503(1) states that a local governmental entity is in a state of financial emergency when any of the following conditions occur:

- a) Failure, within the same fiscal year in which due, to pay short-term loans from banks or failure to make bond debt service payments when due;
- b) Failure to transfer at the appropriate time, due to lack of funds: (1) taxes withheld on the income of employees; or (2) employer and employee contributions for a) federal social security, or b) any pension, retirement or benefit plan of an employee;



- c) Failure for any one pay period to pay, due to lack of funds: (1) wages and salaries owed to employees; or (2) retirement benefits owed to former employees;
- d) An unreserved or total fund balance or retained earnings deficit for which sufficient resources of the local governmental entity are not available to cover the deficit for two successive years; and
- e) Noncompliance of the local government retirement system with actuarial conditions provided by law.

Management of the County has determined that the County is not in a state of financial emergency as defined in Section 218.503(1). In connection with our audit of the financial statements of the County, the results of our tests did not indicate that the County is in a state of financial emergency as a consequence of the conditions in Section 218.503(1).

As required by the *Rules of the Auditor General* (Section 10.554(1)(g)6.b.), we compared the annual financial report for the County for the fiscal year ended September 30, 2003, to be filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), *Florida Statutes*, and noted no differences with the annual financial audit report for the fiscal year ended September 30, 2003.

As required by the *Rules of the Auditor General* (Section 10.554(1)(g)6.c.), we have applied the financial condition assessment procedures pursuant to Rule 10.556(8).

* * * * *

This management letter is intended solely for the information and use of the Board of County Commissioners, management, and the of 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.

Very truly yours,

KPMG LLP



LEE COUNTY
SOUTHWEST FLORIDA

BOARD OF COUNTY COMMISSIONERS

Writer's Direct Number: (239) 335-2221
Fax: (239) 335-2262

Bob Janes
District One

Douglas R. St. Cerny
District Two

Ray Judah
District Three

Andrew W. Coy
District Four

John E. Albion
District Five

Donald D. Stilwell
County Manager

James G. Yaeger
County Attorney

Diana M. Parker
County Hearing Examiner

April 2, 2004

Corrective Action Plan
Fiscal Year Ended September, 30 2003

State Projects:

1. Allowable Costs - SHIP 52.901

Criteria: The SHIP program guidance states that an expenditure has been incurred when "the affordable housing activity is complete and funds deposited to the local affordable housing trust fund have been transferred from the local housing assistance trust fund account to pay for the cost of the activity. In all cases, this definition will apply when the project is complete as evidenced by documentation of final payment to the contractor, and release of all lien waivers, issuance of the certificate of occupancy by the local building department, and occupancy by an eligible person or eligible household."

Condition: For one subrecipient, the County is not requiring supporting documentation before issuing checks for reimbursement. The total amount received by the subrecipient is \$958,411. The subrecipient provided invoices to ascertain costs were allowable.

Context: Only applies to SHIP.

Effect: The County is not able to determine whether the costs are allowable before issuing checks for reimbursement.

Cause: The County exempted this subrecipient as the subrecipient constructs their own houses and is not required to submit certified draw statements.

Recommendation: For all subrecipients, documentation supporting reimbursement requests should be reviewed prior to any reimbursements.

Management response:

For all subrecipients, documentation supporting reimbursement requests will be reviewed prior to any reimbursements.

2. Monitoring - SHIP 52.901

Criteria: The County should provide its subrecipients with the information needed to comply with the requirements of the Florida Single Audit Act and should review subrecipient audit reports, including the management letter, to determine whether the subrecipient is complying with the program requirements.

Condition: The County did not obtain and review subrecipient audit reports, including single audit reports.

Effect: An audit of a subrecipient determines whether the financial statements are free from material misstatement. A single audit provides information on the state expenditures of the subrecipients and their compliance with program requirements.

Context: Only applies to SHIP.

Cause: The County has not developed and implemented a tracking method to ensure all subrecipient audit reports are obtained and reviewed.

Recommendation: The County should develop and implement a process to ensure that audit reports are obtained and reviewed for subrecipients including the single audit reports. Issues raised in the audit reports should be followed up on timely basis.

Management response:

Although there is no specific process in place, currently SHIP staff does obtain and review subrecipients' audit reports. However, with assistance of the county grants analyst, SHIP staff will develop and implement a process to ensure that audit reports are obtained and reviewed for subrecipients including the single audit reports. Issues raised in the audit reports will be followed up in a timely basis.