

AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE AS  
REQUIRED UNDER STATEMENT ON AUDITING STANDARDS (SAS) NO. 114

Honorable Members of the Board of County Commissioners  
Manatee County, Florida

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Manatee County, Florida (the "County"), for the year ended September 30, 2010, and have issued our report thereon dated November 30, 2010. Professional standards require that we provide you with the following information related to our audit.

**Our responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133 and the Florida Single Audit Act**

As stated in our amended engagement letter dated November 5, 2007, and approved in open session on February 26, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audits, 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 financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal 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 internal control over compliance in accordance with OMB Circular A-133 and the Florida Single Audit Act.

As part of obtaining reasonable assurance about whether the County's 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. Also in accordance with OMB Circular A-133 and the Florida Single Audit Act, we examined, on a test basis, evidence about the County's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" and the Florida "State Projects Compliance Supplement" applicable to each of its major federal programs or state projects for the purpose of expressing an opinion on the County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County's compliance with those requirements.

1. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.
2. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

ACCEPTED IN OPEN SESSION

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3. We are also responsible for communicating certain matters in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. These matters are communicated on the management letter dated November 30, 2010.

**Other information in documents containing audited financial statements**

Our audit opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a client prepared document, such as an annual report, should be done only with our prior approval and review of the document. Our responsibility for other information in documents containing the entity's financial statements and report does not extend beyond the financial information identified in the report. We do not have an obligation to perform any procedures to corroborate other information contained in such documents.

**Planned scope and timing of the audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters prior to the commencement of fieldwork.

**Significant audit findings**

***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note 1 to the financial statements. As described in Note 1, the County changed accounting policies related to intangible assets by adopting Governmental Accounting Standards Board (GASB) Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", in 2010. As a Phase 1 government for the purpose of implementing GASB Statement 34, the County has applied retroactive reporting for all material intangible assets except for those considered to have indefinite useful lives as of the effective date of the Statement and those considered to be internally generated.

We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Management's estimate of depreciation is based on the straight-line method using varying estimated useful lives according to the particular class in which each depreciable capital asset is categorized. We evaluated the key factors and assumptions used to develop the estimate of useful lives for depreciable capital assets in determining that it is reasonable in relation to the financial statements taken as a whole

Management's estimate of the allowance for doubtful accounts for the Port Authority is based on management's historical collection experience with the respective customer and an analysis of the collectibility of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for doubtful accounts for Water and Sewer is based on historical water and sewer revenues, historical loss levels, and an analysis of the collectibility of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for doubtful accounts for Solid Waste is based on historical solid waste revenues, historical loss levels, and an analysis of the collectibility of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimates of claims payable associated with the self-insurance internal service fund (regarding automobile liability and physical damage, general liability, and workers' compensation) and the health self-insurance internal service fund (regarding eligible employee and retiree medical benefits) are based on actuarial valuations. We evaluated the key factors and assumptions used to develop these estimates of claims in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the obligation for other post employment benefits (OPEB) is based on an actuarial valuation. We evaluated the key factors and assumptions used to develop the estimate for the OPEB in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the liability for closure and postclosure costs of the Lena Road Landfill is based on an engineering estimate of total capacity of the landfill and the estimated capacity used to date. We evaluated the key factors and assumptions used to develop the estimate for the closure and postclosure liability in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of cash, cash equivalents and investments in Note 3 to the financial statements which addresses the various risks categories required by Governmental Accounting Standards Board Statement No. 40 *Deposit and Investment Risk Disclosures*.

The disclosure of the closure and postclosure costs of the Lena Road Landfill in Note 9 to the financial statements which provides information regarding the estimate of these costs and the estimate of the related liability at September 30, 2010.

The disclosure of claims liability in Note 18 to the financial statements which discloses the estimate of self insurance and health self insurance claims payable.

The disclosure of OPEB in Note 20 to the financial statements which describes the County's OPEB plan, the annual OPEB costs and the net OPEB obligation at September 30, 2010.

***Difficulties encountered in performing the audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

***Corrected and uncorrected misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The following listing summarizes uncorrected misstatements of the financial statements:

- ... An entry to record approximately \$227,000 of net deferred charges under a new lease agreement for the Port Authority

Management has determined that the effects of this entry are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

***Disagreements with management***

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

***Management representations***

We have requested certain representations from management that are included in the management representation letter dated November 30, 2010.

***Management consultations with other independent accountants***

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

***Other audit findings or issues***

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

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

*Shinn & Company, P.A.*

**Shinn & Company, P.A.**  
Bradenton, Florida

*Larson Allen LLP*  
**Larson Allen LLP**  
Tampa, Florida

November 30, 2010