



*Flagler County, Florida
Annual Financial Report
September 30, 2008*



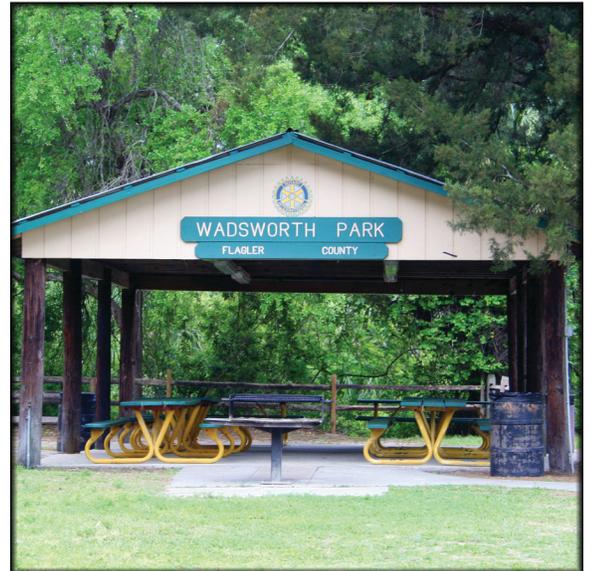
VISIT FLAGLER COUNTY'S WADSWORTH PARK!

Flagler County's Wadsworth Park is often called the park "that has everything." Visit the park on any day of the week and you will see residents and visitors enjoying all this 48-acre facility has to offer for every age group.

With parents as coaches, youth from ages 4 1/2 to 18 participate in sports organized in the fall and spring by the Flagler County Youth Soccer Association. Lacrosse teams, handball and volleyball enthusiasts, tennis players and even a horseshoe league call the park home. (For more information or registration, visit www.flaglersports.com.) Skateboarders also enjoy their sport in a gated area near the park entrance.

Parents and grandparents watch children have fun in two playground areas and frequently have parties and picnics at the pavilion with friends and family. And there's even a dog park - an area with benches - to watch your favorite pet enjoy the outdoors with other four-legged companions. An elevated boardwalk for peaceful meandering and a canoe launch for nature enthusiasts are also available.

Wadsworth Park is located at 2200 Moody Boulevard on the outskirts of Flagler Beach.



FLAGLER COUNTY, FLORIDA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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INDEPENDENT AUDITORS' REPORT

Board of County Commissioners
Flagler County, Florida



We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Flagler County, Florida, as of and for the year ended September 30, 2008, which collectively comprise Flagler County, Florida's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Flagler County, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

8035 Spyglass Hill Road
Melbourne, FL 32940
321.757.2020
FAX 321.242.4844

480 N. Orlando Ave.
Suite 218
Winter Park, FL 32789
407.644.5811
FAX 407.644.6022

301 Clematis Street
Suite 3000
W. Palm Beach, FL 33401
561-837-6627
FAX 561-837-6632

www.bermanhopkins.com

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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide 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, the business-type activities, each major fund, and the aggregate remaining fund information of Flagler County, Florida, as of September 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General, Constitutional Gas Tax, Transportation Impact Fees East, and Road Impact Fees Palm Coast Funds for the 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 May 13, 2009, on our consideration of Flagler 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. 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 should be considered in assessing the results of our audit.

The management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Flagler County, Florida's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550, *Local Government Entity Audits*, Rules of the Auditor General of the State of Florida and is also not a required part of the basic financial statements of Flagler County, Florida. The combining and individual nonmajor fund statements and schedules and the schedule of expenditures of federal awards and state financial assistance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

May 13, 2009
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Management's Discussion and Analysis

The County's management discussion and analysis presents an overview and analysis of the County's financial activities for the fiscal year ended September 30, 2008. Please read it in conjunction with the County's financial statements beginning on page 10.

Financial Highlights

- The assets of the County exceeded its liabilities at September 30, 2008 (fiscal year end) by \$237,091,897 (net assets) for governmental activities, representing an increase of \$3,328,424.
- The amount reported as unrestricted net assets, \$14,723,913, increased \$1,994,570 over the previous year. This amount is a measure of the County's resources to meet the County's ongoing obligations to its citizens and creditors.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County'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, which consist of the following two statements, are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the County'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 County is improving or deteriorating.

The statement of activities presents information showing how the County's net assets changed during the fiscal year ended September 30, 2008. 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 periods such as uncollected taxes and earned but unused personal leave.

Both of these financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities types of the County include general government, public safety, physical environment, transportation, economic environment, human services, culture and recreation, and interest on long-term debt. The business-type activities of the County include the airport, landfill, transportation, utilities and waste management.

The government-wide financial statements can be found on pages 10 - 11 of this report.

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 County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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 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 the County'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 County'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 reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains fifty-six individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Government Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, the Transportation Impact Fee Fund- East, the Constitutional Gas Tax Fund, and the Road Impact Fee Fund- Palm Coast, which are considered major funds. Information related to the additional fifty-two non-major governmental funds is combined into a single aggregated presentation. Individual fund information for each of these non-major governmental funds is provided in the form of combining statements.

The County adopts an annual appropriated budget for its general, budgeted special revenue and debt service funds as well as project-term budgets for the capital projects funds. A budgetary comparison statement has been provided for the General Fund and the major special revenue funds to illustrate compliance.

The governmental fund financial statements can be found on pages 12 - 15 of this report.

Proprietary funds

The County maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for the fiscal activities relating to airport operations, refuse disposal, public transportation, water and sewer utility service and waste management to unincorporated parts of the County. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for its employee group insurance program. Because these services benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds (continued)

Proprietary funds provide the same type of information as the government-wide financial statements, while furnishing more detail. The proprietary fund financial statements provide separate information for sanitary landfill, airport operations and water and waste water services and aggregated information on the transportation and waste management funds, the County's two non-major proprietary funds. Internal service funds have been reported in an aggregated presentation with the proprietary fund financial statements.

The basic proprietary financial statements can be found on pages 20 - 23 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's programs. The accounting treatment of fiduciary funds is similar to proprietary funds described above.

The basic fiduciary fund financial statements can be found on page 24 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 25 - 50 of this report.

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Government-wide Financial Analysis

County of Flagler, Florida Net Assets (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2007	2008	2007	2008	2007	2008
Current and Other Assets	\$ 73,206	\$ 60,016	\$ 4,347	\$ 5,151	\$ 77,553	\$ 65,167
Capital Assets	<u>268,427</u>	<u>271,114</u>	<u>13,914</u>	<u>14,112</u>	<u>282,341</u>	<u>285,226</u>
Total Assets	<u>341,633</u>	<u>331,130</u>	<u>18,261</u>	<u>19,263</u>	<u>359,894</u>	<u>350,393</u>
Non-current Liabilities	81,988	78,228	4,150	4,219	86,138	82,447
Other Liabilities	<u>25,881</u>	<u>15,810</u>	<u>698</u>	<u>632</u>	<u>26,579</u>	<u>16,442</u>
Total Liabilities	107,869	94,038	4,848	4,851	112,717	98,889
Net Assets:						
Invested in Capital Assets,						
Net of related debt	191,164	191,390	10,630	10,575	201,794	201,965
Restricted	29,871	30,978	2,866	2,967	32,737	33,945
Unrestricted	<u>12,729</u>	<u>14,724</u>	<u>(83)</u>	<u>870</u>	<u>12,646</u>	<u>15,594</u>
Total Net Assets	<u>\$ 233,764</u>	<u>\$ 237,092</u>	<u>\$ 13,413</u>	<u>\$ 14,412</u>	<u>\$ 247,177</u>	<u>\$ 251,504</u>

Net assets may serve over time as a useful indicator of the County's financial position. Total assets of the County exceeded liabilities by \$251,503,488 as of the fiscal year ended September 30, 2008.

The largest reported amount of the County's net assets (eighty-one percent) reflects its investment in capital assets (land, buildings, infrastructures and equipment), less the related outstanding debt used to acquire those assets. As discussed in the Notes to Financial Statements, new accounting rules required infrastructure assets (roads, bridges, sidewalks, and other similar long-lived assets) acquired or constructed in prior years to be reported within an allowable deferral period. The County complied with this requirement. The County uses capital assets to provide services to citizens; therefore, these assets are not available for future spending. The county's investment in capital assets is reported net of related debt, and should be noted that resources required to repay this debt must be provided from other sources, since the capital assets cannot be used to reduce these liabilities

Another reported amount (Restricted Net Assets) of the County's net assets (thirteen percent) represents resources that are subject to external restrictions on their use. The remaining balance (Unrestricted Net Assets) of the County's net assets (six percent) may be used to meet the County's ongoing obligations to its citizens and creditors.

At September 30, 2008 the County is able to report positive fund balances in all three categories of net assets for government as a whole.

County of Flagler, Florida
Changes in Net Assets
(in thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2008	2007	2008	2007	2008
Revenues:						
Program Revenues:						
Charges for Services	\$ 14,462	\$ 13,394	\$ 5,210	\$ 5,281	\$ 19,672	\$ 18,675
Operating Grants and Contributions	1,661	2,871	575	681	2,236	3,552
Capital Grants and Contributions	3,590	5,966	472	480	4,062	6,446
General Revenues:						
Property Taxes	50,450	51,245	-	-	50,450	51,245
Other Taxes	6,800	6,766	101	126	6,901	6,892
Contributions	-	-	-	-	-	-
Miscellaneous	6,951	4,821	428	302	7,379	5,123
Total Revenues	<u>83,914</u>	<u>85,063</u>	<u>6,786</u>	<u>6,870</u>	<u>90,700</u>	<u>91,933</u>
Expenses:						
General Government	22,794	24,643	-	-	22,794	24,643
Public Safety	31,694	33,675	-	-	31,694	33,675
Physical environment	1,522	1,950	-	-	1,522	1,950
Transportation	5,941	6,221	-	-	5,941	6,221
Economic environment	1,655	2,705	-	-	1,655	2,705
Human Services	4,240	3,701	-	-	4,240	3,701
Culture and recreation	3,538	3,638	-	-	3,538	3,638
Interest/charges on long-term debt	4,004	4,199	-	-	4,004	4,199
Sanitary landfill	-	-	287	348	287	348
Airport	-	-	3,087	3,187	3,087	3,187
Utilities	-	-	627	484	627	484
Transportation	-	-	1,586	1,506	1,586	1,506
Waste Management	-	-	979	1,349	979	1,349
Total Expenses	<u>75,388</u>	<u>80,732</u>	<u>6,566</u>	<u>6,874</u>	<u>81,954</u>	<u>87,606</u>
Transfers	<u>(142)</u>	<u>(1,003)</u>	<u>142</u>	<u>1,003</u>	<u>-</u>	<u>-</u>
Increase in Net Assets	8,384	3,328	362	999	8,746	4,327
Net Assets, beginning	<u>225,380</u>	<u>233,764</u>	<u>13,051</u>	<u>13,413</u>	<u>238,431</u>	<u>247,177</u>
Net Assets, ending	<u>\$ 233,764</u>	<u>\$ 237,092</u>	<u>\$ 13,413</u>	<u>\$ 14,412</u>	<u>\$ 247,177</u>	<u>\$ 251,504</u>

Prior year includes a reclassification of \$1,000 from public safety expenditures to charges for services and \$119 from economic environment to human services.

Governmental activities

Governmental activities increased the County's net assets by \$3,328,424. Taxes and fees have been established to fund current operating needs in addition to other activities, debt repayment and asset acquisition in future years.

Business-type activities

Business-type activities increased the County's net assets in the amount of \$998,252, accounting for twenty three percent of the total growth in the net assets of the County for the fiscal year ended September 30, 2008.

Financial Analysis of the County's Funds

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the County's governmental funds is to provide information on near-term inflows outflows and balances of spendable resources. Such information is useful in assessing the County's financing requirements. Unreserved fund balance may serve as a useful measure of the County's net resources available for spending at the close of a fiscal year.

At September 30, 2008, the County's governmental funds reported combined ending fund balances of \$45,023,018 a decrease of \$5,334,715. Unreserved and undesignated fund balance of \$10,600,667 in the general fund is available for spending at the County's discretion; \$23,618,745 unreserved and undesignated fund balances of other governmental funds are available for spending at the County's discretion within the limitations of the funds' revenue source; \$21,191,931 is designated for legally restricted expenditures in accordance with the specific revenue sources; \$2,426,814 is designated for future capital projects.

The General Fund is the operating fund of the County. At September 30, 2008, unreserved fund balance of this fund was \$10,600,667 while the total fund balance amounted to \$14,579,208. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and the total fund balance to total fund expenditures. Unreserved fund balance represents seventeen percent of the total general fund expenditures and other financing uses.

The fund balance of the County's general fund increased by \$1,904,444 during the fiscal year ended September 30, 2008.

Proprietary funds

The County's proprietary funds provide that same type of information found in the government-wide financial statements, while furnishing more detail.

Proprietary funds reported unrestricted net assets of \$869,822 at September 30, 2008.

Capital Asset and Debt Administration

The County's investment in capital assets for its governmental and business-type activities as of September 30, 2008 amounts to \$285,226,627 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, leasehold improvements, equipment, infrastructure and construction in progress. The total net increase in the County's investment in capital assets for the fiscal year ended September 30, 2008 was \$2,885,984 (\$2,687,486 net increase for governmental activities and a net increase of \$198,498 for business-type activities).

Capital Assets

Additional information on the county's capital assets can be found in Notes 5 and 6 on pages 37 - 39 of this report.

Long-term debt

New debt assumed for the fiscal year ended September 30, 2008 amounted to \$413,905.

Additional information on the County's debt can be found in Note 7 on pages 40 - 45 of this report.

Economic Factors and Next year's Budgets and Rates

Flagler County has historically relied on property taxes and intergovernmental resources to fund its operations. The County has utilized grants, road and park impact fees to help fund the infrastructure needs of its population.

During fiscal year 2007, the Florida Legislature imposed restrictions on the ability of municipalities and counties to increase millage rates. In January 2008, the voters of Florida passed Amendment 1, which further limits property tax collections. In addition to the impact of Amendment 1, the value of properties on Flagler County's 2008 tax roll also experienced a reduction in value.

Flagler County could also be subject to decrease in other revenues that are dependent on economic activity. Administrative steps are being taken to reduce expenditures to balance with available funding.

Requests for Information

This financial report is designed to present users with a general overview of the County's finances and to demonstrate the County's accountability. If you have questions concerning the information provided in this report or need additional financial information, contact Gail Wadsworth, Clerk of Circuit Court, 1769 E. Moody Blvd. Building #1, Bunnell, FL 32110.

**FLAGLER COUNTY, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 16,246,205	\$ 721,455	\$ 16,967,660
Cash with fiscal agent	1,931,235	-	1,931,235
Restricted cash	-	2,536,976	2,536,976
Investments	24,914,749	3,046,629	27,961,378
Internal balances	1,786,353	(1,786,353)	-
Due from other governmental agencies	11,317,162	409,891	11,727,053
Receivables, net	1,080,086	120,931	1,201,017
Note receivable	1,340,235	-	1,340,235
Unamortized bond issuance costs	991,794	-	991,794
Inventory	294,850	101,440	396,290
Other assets	112,729	398	113,127
Capital assets:			
Land and work in process	79,398,023	1,638,974	81,036,997
Capital assets being depreciated, net	191,716,643	12,472,987	204,189,630
Total capital assets, net of depreciation	<u>271,114,666</u>	<u>14,111,961</u>	<u>285,226,627</u>
TOTAL ASSETS	<u>331,130,064</u>	<u>19,263,328</u>	<u>350,393,392</u>
LIABILITIES			
Accounts payable and accrued expenses	6,342,170	307,534	6,649,704
Due to other governmental agencies	1,267,699	22,583	1,290,282
Deposits	867,288	59,492	926,780
Deferred revenue	530,076	9,437	539,513
Long-term liabilities			
Due within one year:			
Notes and bonds payable	4,187,443	167,684	4,355,127
Compensated absences	2,114,830	66,272	2,181,102
Capital Leases	500,693	-	500,693
Due in more than one year:			
Notes and bonds payable	76,895,162	3,369,228	80,264,390
Compensated absences	346,821	-	346,821
Capital leases	249,865	-	249,865
Arbitrage liability	524,226	-	524,226
OPEB liability	211,894	8,006	219,900
Payable from restricted cash:			
Landfill closure and postclosure care	-	841,501	841,501
TOTAL LIABILITIES	<u>94,038,167</u>	<u>4,851,737</u>	<u>98,889,904</u>
NET ASSETS			
Invested in capital assets, net of related debt	191,390,020	10,575,049	201,965,069
Restricted for			
Debt service	8,165,300	-	8,165,300
Capital projects	15,731,206	1,839,234	17,570,440
Other purposes	7,081,458	1,127,486	8,208,944
Unrestricted	<u>14,723,913</u>	<u>869,822</u>	<u>15,593,735</u>
TOTAL NET ASSETS	<u>\$ 237,091,897</u>	<u>\$ 14,411,591</u>	<u>\$ 251,503,488</u>

The accompanying notes are an integral part of the financial statements

**FLAGLER COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Functions/ Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT							
Governmental activities:							
General government	\$ 24,643,219	\$ 6,230,411	\$ 501,716	\$ -	\$ (17,911,092)	\$ -	\$ (17,911,092)
Public safety	33,674,664	5,603,971	767,266	543,713	(26,759,714)	-	(26,759,714)
Physical environment	1,949,824	173	-	755,000	(1,194,651)	-	(1,194,651)
Transportation	6,221,288	1,306,985	135,268	3,086,181	(1,692,854)	-	(1,692,854)
Economic environment	2,705,033	-	826,802	-	(1,878,231)	-	(1,878,231)
Human services	3,701,214	134,549	590,470	-	(2,976,195)	-	(2,976,195)
Culture and recreation	3,637,872	118,310	49,625	1,581,413	(1,888,524)	-	(1,888,524)
Interest on long-term debt	4,198,924	-	-	-	(4,198,924)	-	(4,198,924)
Total Government Activities	80,732,038	13,394,399	2,871,147	5,966,307	(58,500,185)	-	(58,500,185)
Business-type activities:							
Landfill	348,303	378	281,345	-	-	(66,580)	(66,580)
Airport	3,187,031	2,730,277	-	367,353	-	(89,401)	(89,401)
Utilities	484,163	455,524	-	7,780	-	(20,859)	(20,859)
Transportation	1,506,139	601,488	400,083	104,398	-	(400,170)	(400,170)
Waste management	1,349,298	1,493,527	-	-	-	144,229	144,229
Total Business-Type Activities	6,874,934	5,281,194	681,428	479,531	-	(432,781)	(432,781)
TOTAL PRIMARY GOVERNMENT	\$ 87,606,972	\$ 18,675,593	\$ 3,552,575	\$ 6,445,838	(58,500,185)	(432,781)	(58,932,966)
GENERAL REVENUES							
Property taxes					51,244,622	-	51,244,622
Tourist and franchise taxes					1,411,239	126,198	1,537,437
Sales and fuel taxes					5,354,821	-	5,354,821
Intergovernmental					1,890,713	-	1,890,713
Miscellaneous					2,930,641	301,408	3,232,049
Transfers					(1,003,427)	1,003,427	-
Total General Revenues, Special Items and Transfers					61,828,609	1,431,033	63,259,642
Change in net assets					3,328,424	998,252	4,326,676
NET ASSETS, BEGINNING OF YEAR					233,763,473	13,413,339	247,176,812
NET ASSETS, END OF YEAR					\$ 237,091,897	\$ 14,411,591	\$ 251,503,488

The accompanying notes are an integral part of the financial statements

**FLAGLER COUNTY, FLORIDA
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008**

	General Fund	Constitutional Gas Tax	Transportation Impact Fees East	Road Impact Fees Palm Coast	NonMajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 7,209,456	\$ 15,276	\$ 157,274	\$ 75,942	\$ 7,128,712	\$ 14,586,660
Cash with fiscal agent	-	-	-	-	1,931,235	1,931,235
Investments	6,702,415	412,234	201,934	1,910,426	12,532,012	21,759,021
Accounts receivable (net of allowance for uncollectibles)	960,015	1,951	-	-	95,953	1,057,919
Notes receivable	1,340,235	-	-	-	-	1,340,235
Due from other funds	2,790,675	-	73	-	345,542	3,136,290
Due from other governments	1,599,859	3,449,812	2,990,400	2,237,817	1,039,274	11,317,162
Inventory	294,850	-	-	-	-	294,850
Other assets	67,110	-	-	-	45,619	112,729
TOTAL ASSETS	\$ 20,964,615	\$ 3,879,273	\$ 3,349,681	\$ 4,224,185	\$ 23,118,347	\$ 55,536,101
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable and accrued liabilities	\$ 2,076,824	\$ 1,853,825	\$ 51	\$ 388	\$ 680,414	\$ 4,611,502
Deposits	705,910	-	-	-	146,322	852,232
Due to other funds	748,784	201,075	-	33	387,415	1,337,307
Due to other governments	868,075	-	-	-	399,624	1,267,699
Deferred revenue	1,985,814	-	-	-	458,529	2,444,343
TOTAL LIABILITIES	6,385,407	2,054,900	51	421	2,072,304	10,513,083
FUND BALANCES						
Reserved for growth impact	205,081	-	-	-	-	205,081
Reserved for advances	2,319,851	-	-	-	-	2,319,851
Reserved for inventory	294,850	-	-	-	-	294,850
Reserved for debt service	-	-	-	-	6,825,065	6,825,065
Reserved for capital outlay	478,222	-	-	-	-	478,222
Unreserved						
Designated for future use	680,537	-	-	-	-	680,537
Unreserved-undesignated	10,600,667	1,824,373	3,349,630	4,223,764	-	19,998,434
Unreserved-undesignated, reported in nonmajor Special revenue funds	-	-	-	-	11,794,164	11,794,164
Capital projects funds	-	-	-	-	2,426,814	2,426,814
TOTAL FUND BALANCES	14,579,208	1,824,373	3,349,630	4,223,764	21,046,043	45,023,018
TOTAL LIABILITIES AND FUND BALANCES	\$ 20,964,615	\$ 3,879,273	\$ 3,349,681	\$ 4,224,185	\$ 23,118,347	\$ 55,536,101

The accompanying notes are an integral part of the financial statements

**FLAGLER COUNTY, FLORIDA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008**

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS \$ 45,023,018

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 in the funds. The amount included in the statement of net assets is the difference between:

Capital assets, at cost	332,105,163	
Accumulated depreciation	(60,990,497)	
		271,114,666

Long term liabilities are not due and payable from current resources and therefore, are not reported in the funds:

Bonds payable	(80,156,459)	
Compensated absences	(2,461,651)	
OPEB liability	(211,894)	
Arbitrage liability	(524,226)	
Capital leases payable	(750,558)	
		(84,104,788)

Certain assets and liabilities reported in governmental activities do not provide or use current financial resources and therefore, are not reported in the funds:

Unamortized bond premium		(926,146)
Unamortized bond issuance costs		991,794
Special assessment note receivable, not recognized in fund levels due to expected collection in future years previously recognized as revenue on County-wide statements		1,340,235
Receivables in more than one year		656,317
Accrued interest payable		(470,952)

Internal service funds are reported as proprietary activities on the fund level statements, but as governmental activities on the county-wide statements. This amount represents unrestricted net assets of the internal service funds.

3,467,753

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 237,091,897

The accompanying notes are an integral part of this statement

FLAGLER COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	General Fund	Constitutional Gas Tax	Transportation Impact Fees East	Road Impact Fees Palm Coast	NonMajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 48,199,342	\$ -	\$ -	\$ -	\$ 6,286,557	\$ 54,485,899
Special assessments	-	-	-	-	1,053,198	1,053,198
Licenses and permits	35,141	-	-	-	533,884	569,025
Intergovernmental	4,402,350	4,261,014	2,990,400	2,237,817	3,151,557	17,043,138
Charges for services	8,134,942	-	-	-	3,981,494	12,116,436
Fines and forfeitures	126,139	-	-	-	574,846	700,985
Miscellaneous revenue	1,980,344	127,450	2,689	61,744	1,199,202	3,371,429
TOTAL REVENUES	62,878,258	4,388,464	2,993,089	2,299,561	16,780,738	89,340,110
EXPENDITURES						
Current						
General government	16,222,695	-	-	-	2,080,881	18,303,576
Public safety	31,368,314	-	-	-	1,498,298	32,866,612
Physical environment	311,476	-	-	-	4,418,922	4,730,398
Transportation	-	2,629,336	90	1,471	3,173,187	5,804,084
Economic environment	288,778	-	-	-	2,047,975	2,336,753
Human services	3,535,332	-	-	-	104,320	3,639,652
Culture and recreation	3,389,041	1,002,691	-	-	2,898,783	7,290,515
Court related	1,986,075	-	-	-	2,534,507	4,520,582
Debt service						
Principal retirement	1,739,855	6,125,570	-	-	3,262,648	11,128,073
Interest and fiscal charges	759,849	261,831	-	-	3,093,070	4,114,750
TOTAL EXPENDITURES	59,601,415	10,019,428	90	1,471	25,112,591	94,734,995
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,276,843	(5,630,964)	2,992,999	2,298,090	(8,331,853)	(5,394,885)
OTHER FINANCING SOURCES (USES)						
Transfers in	160,564	-	80,005	-	2,637,157	2,877,726
Transfers out	(2,362,992)	(110,100)	-	-	(1,174,493)	(3,647,585)
Special item – insurance recovery	80,029	-	-	-	-	80,029
Capital lease proceeds	750,000	-	-	-	-	750,000
TOTAL OTHER FINANCING SOURCES (USES)	(1,372,399)	(110,100)	80,005	-	1,462,664	60,170
NET CHANGE IN FUND BALANCE	1,904,444	(5,741,064)	3,073,004	2,298,090	(6,869,189)	(5,334,715)
FUND BALANCES, BEGINNING OF YEAR	12,674,764	7,565,437	276,626	1,925,674	27,915,232	50,357,733
FUND BALANCES, END OF YEAR	\$ 14,579,208	\$ 1,824,373	\$ 3,349,630	\$ 4,223,764	\$ 21,046,043	\$ 45,023,018

The accompanying notes are an integral part of the financial statements

**FLAGLER COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL ACTIVITIES **\$ (5,334,715)**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Contributions of capital assets increase assets but do not appear in the fund statements because they are not financial resources.

Capital assets acquired with financial resources	12,710,954	
Current year depreciation	(9,489,601)	
Loss on disposal of fixed assets	(574,382)	
Contributions of capital assets	40,515	
		2,687,486

Governmental funds report certain bond transactions as resources, uses, or expenditures. However, in the statement of activities these transactions are reported as expenses over the life of the debt:

Unamortized bond issuance costs		(43,121)
Unamortized bond premium		35,985

Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Issuing debt provides current financial resources to governmental funds but increases liabilities in the statement of net assets.

Principal repayment	11,120,072	
Capital lease proceeds	(750,000)	
		10,370,072

Because certain grant receivables will not be collected for several months after the close of the County's fiscal year end, they are not considered as "available" revenues in the governmental funds. In the statement of activities, presented on the accrual basis, these revenues are recognized in the fiscal year they are earned.

(5,144,902)

Because certain receivables will not be collected for several months after the close of the County's fiscal year end, they are not considered as "available" revenues in the governmental funds. In the statement of activities, presented on the accrual basis, these revenues are recognized in the fiscal year they are earned.

551,215

Special assessment deferred revenue recognized in the governmental funds.

(397,355)

Some expenses reported in the statement of activities did not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. Those include:

Accrued compensated absences	(250,276)	
OPEB liability	(211,894)	
Accrued interest payable	(131,036)	
		(593,206)

Internal service funds are used to charge the cost of certain activities to individual funds. The net revenue (expense) is reported with governmental activities:

Other operating (income) expenses	126,821	
Income from operations	1,070,144	
		1,196,965

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 3,328,474

The accompanying notes are an integral part of this statement

FLAGLER COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET and ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget – Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 49,824,819	\$ 49,824,819	\$ 48,199,342	\$ (1,625,477)
Licenses and permits	42,459	42,459	35,141	(7,318)
Intergovernmental	3,830,240	4,170,005	4,402,350	232,345
Charges for services	7,978,907	8,485,261	8,134,942	(350,319)
Fines and forfeitures	119,253	119,253	126,139	6,886
Miscellaneous revenue	1,637,079	2,033,836	1,980,344	(53,492)
TOTAL REVENUES	<u>63,432,757</u>	<u>64,675,633</u>	<u>62,878,258</u>	<u>(1,797,375)</u>
EXPENDITURES				
Current				
General government	18,217,625	18,702,140	16,222,695	2,479,445
Public safety	30,852,140	32,647,235	31,368,314	1,278,921
Physical environment	321,028	323,433	311,476	11,957
Economic environment	303,284	305,936	288,778	17,158
Human services	4,099,710	4,166,913	3,535,332	631,581
Culture and recreation	3,486,156	3,755,083	3,389,041	366,042
Court related	2,069,788	2,105,346	1,986,075	119,271
Debt service				
Principal retirement	1,945,117	1,921,516	1,739,855	181,661
Interest and fiscal charges	492,710	597,678	759,849	(162,171)
TOTAL EXPENDITURES	<u>61,787,558</u>	<u>64,525,280</u>	<u>59,601,415</u>	<u>4,923,865</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,645,199</u>	<u>150,353</u>	<u>3,276,843</u>	<u>3,126,490</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	11,169	11,169	160,564	149,395
Transfers out	(2,066,291)	(2,645,419)	(2,362,992)	282,427
Insurance recoveries	-	-	80,029	80,029
Capital lease proceeds	-	750,000	750,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,055,122)</u>	<u>(1,884,250)</u>	<u>(1,372,399)</u>	<u>511,851</u>
NET CHANGE IN FUND BALANCE	(409,923)	(1,733,897)	1,904,444	3,638,341
FUND BALANCES, BEGINNING OF YEAR	<u>12,674,764</u>	<u>12,674,764</u>	<u>12,674,764</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 12,264,841</u>	<u>\$ 10,940,867</u>	<u>\$ 14,579,208</u>	<u>\$ 3,638,341</u>

The accompanying notes are an integral part of the financial statements

FLAGLER COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET and ACTUAL – CONSTITUTIONAL GAS TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget – Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 6,406,198	\$ 4,012,664	\$ 4,261,014	\$ 248,350
Miscellaneous revenue	75,000	381,704	127,450	(254,254)
TOTAL REVENUES	<u>6,481,198</u>	<u>4,394,368</u>	<u>4,388,464</u>	<u>(5,904)</u>
EXPENDITURES				
Current				
Transportation	6,054,280	4,612,027	2,629,336	1,982,691
Culture and recreation	1,548,000	798,507	1,002,691	(204,184)
Debt service				
Principal retirement	6,125,570	6,125,570	6,125,570	-
Interest and fiscal charges	179,306	263,782	261,831	1,951
TOTAL EXPENDITURES	<u>13,907,156</u>	<u>11,799,886</u>	<u>10,019,428</u>	<u>1,780,458</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(7,425,958)</u>	<u>(7,405,518)</u>	<u>(5,630,964)</u>	<u>1,774,554</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(110,100)	(110,100)	(110,100)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(110,100)</u>	<u>(110,100)</u>	<u>(110,100)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(7,536,058)</u>	<u>(7,515,618)</u>	<u>(5,741,064)</u>	<u>1,774,554</u>
FUND BALANCES, BEGINNING OF YEAR	<u>7,565,437</u>	<u>7,565,437</u>	<u>7,565,437</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 29,379</u>	<u>\$ 49,819</u>	<u>\$ 1,824,373</u>	<u>\$ 1,774,554</u>

The accompanying notes are an integral part of the financial statements

FLAGLER COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET and ACTUAL – TRANSPORTATION IMPACT FEES - EAST
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget – Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 2,990,400	\$ 2,990,400
Miscellaneous revenue	15,440	15,440	2,689	(12,751)
TOTAL REVENUES	<u>15,440</u>	<u>15,440</u>	<u>2,993,089</u>	<u>2,977,649</u>
EXPENDITURES				
Current				
Transportation	-	90	90	-
TOTAL EXPENDITURES	<u>-</u>	<u>90</u>	<u>90</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>15,440</u>	<u>15,350</u>	<u>2,992,999</u>	<u>2,977,649</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	80,005	80,005	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>80,005</u>	<u>80,005</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>15,440</u>	<u>95,355</u>	<u>3,073,004</u>	<u>2,977,649</u>
FUND BALANCES, BEGINNING OF YEAR	<u>276,626</u>	<u>276,626</u>	<u>276,626</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 292,066</u>	<u>\$ 371,981</u>	<u>\$ 3,349,630</u>	<u>\$ 2,977,649</u>

The accompanying notes are an integral part of the financial statements

FLAGLER COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET and ACTUAL – ROAD IMPACT FEES – PALM COAST
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget – Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 2,634,725	\$ 2,182,396	\$ 2,237,817	\$ 55,421
Miscellaneous revenue	-	58,071	61,744	3,673
TOTAL REVENUES	<u>2,634,725</u>	<u>2,240,467</u>	<u>2,299,561</u>	<u>59,094</u>
EXPENDITURES				
Current				
Transportation	2,634,725	3,872,041	1,471	3,870,570
TOTAL EXPENDITURES	<u>2,634,725</u>	<u>3,872,041</u>	<u>1,471</u>	<u>3,870,570</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(1,631,574)</u>	<u>2,298,090</u>	<u>3,929,664</u>
NET CHANGE IN FUND BALANCE	-	(1,631,574)	2,298,090	3,929,664
FUND BALANCES, BEGINNING OF YEAR	1,925,674	1,925,674	1,925,674	-
FUND BALANCES, END OF YEAR	<u>\$ 1,925,674</u>	<u>\$ 294,100</u>	<u>\$ 4,223,764</u>	<u>\$ 3,929,664</u>

The accompanying notes are an integral part of the financial statements

FLAGLER COUNTY, FLORIDA
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
SEPTEMBER 30, 2008

Business-type Activities – Enterprise Funds

	Landfill Fund	Airport Fund	Utility	NonMajor Enterprise Funds	Total	Governmental Activities – Internal Service Fund
ASSETS						
Current assets						
Cash and equivalents	\$ 107,004	\$ 428,300	\$ -	\$ 186,151	\$ 721,455	\$ 1,659,545
Investments	2,331,961	309,963	-	404,705	3,046,629	3,155,728
Accounts receivables, net	5,514	57,786	53,246	4,385	120,931	22,167
Due from other funds	5,472	29,070	2,932	607,632	645,106	-
Due from other governments	169,483	94,755	-	145,653	409,891	-
Prepaid expenses	-	-	350	-	350	-
Inventory	-	101,440	-	-	101,440	-
Other current assets	-	-	-	48	48	-
Total Current Assets	<u>2,619,434</u>	<u>1,021,314</u>	<u>56,528</u>	<u>1,348,574</u>	<u>5,045,850</u>	<u>4,837,440</u>
Non-current assets						
Restricted cash	1,968,987	-	567,989	-	2,536,976	-
Land and construction in progress	203,404	712,727	712,950	9,893	1,638,974	-
Other capital assets, net of accumulated depreciation	331,890	10,492,943	967,655	680,499	12,472,987	-
Total Non-Current Assets	<u>2,504,281</u>	<u>11,205,670</u>	<u>2,248,594</u>	<u>690,392</u>	<u>16,648,937</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 5,123,715</u>	<u>\$ 12,226,984</u>	<u>\$ 2,305,122</u>	<u>\$ 2,038,966</u>	<u>\$ 21,694,787</u>	<u>\$ 4,837,440</u>
LIABILITIES						
Current liabilities						
Accounts payable and accrued expenses	\$ 15,117	\$ 152,962	\$ 29,684	\$ 109,771	\$ 307,534	\$ 1,259,716
Deposits	500	41,052	17,940	-	59,492	15,056
Due to other funds	3,543	19,116	61,199	27,750	111,608	12,630
Due to other governments	122	11,929	9,929	603	22,583	-
Deferred revenue	-	-	-	9,437	9,437	82,285
Compensated absences	9,874	32,563	3,308	20,527	66,272	-
OPEB liability	736	2,351	735	4,184	8,006	-
Current portion of long term debt	-	167,684	-	-	167,684	-
Total Current Liabilities	<u>29,892</u>	<u>427,657</u>	<u>122,795</u>	<u>172,272</u>	<u>752,616</u>	<u>1,369,687</u>
Non-current liabilities						
Payable from restricted cash:						
Landfill closure and post closure care	841,501	-	-	-	841,501	-
Advances from other funds	-	-	1,880,000	439,851	2,319,851	-
Notes Payable	-	3,369,228	-	-	3,369,228	-
Total Non-current liabilities	<u>841,501</u>	<u>3,369,228</u>	<u>1,880,000</u>	<u>439,851</u>	<u>6,530,580</u>	<u>-</u>
TOTAL LIABILITIES	<u>871,393</u>	<u>3,796,885</u>	<u>2,002,795</u>	<u>612,123</u>	<u>7,283,196</u>	<u>1,369,687</u>
NET ASSETS						
Invested in capital assets, net of related debt	535,294	7,668,758	1,680,605	690,392	10,575,049	-
Restricted for						
Landfill post closure care	1,127,486	-	-	-	1,127,486	-
Future capital outlay	1,225,758	-	613,476	-	1,839,234	-
Unrestricted	1,363,784	761,341	(1,991,754)	736,451	869,822	3,467,753
TOTAL NET ASSETS	<u>4,252,322</u>	<u>8,430,099</u>	<u>302,327</u>	<u>1,426,843</u>	<u>14,411,591</u>	<u>3,467,753</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,123,715</u>	<u>\$ 12,226,984</u>	<u>\$ 2,305,122</u>	<u>\$ 2,038,966</u>	<u>\$ 21,694,787</u>	<u>\$ 4,837,440</u>

The accompanying notes are an integral part of the financial statements

FLAGLER COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Business-type Activities – Enterprise Funds

	Landfill Fund	Airport Fund	Utility	NonMajor Enterprise Funds	Total	Governmental Activities – Internal Service Fund
OPERATING REVENUES						
Charges for services	\$ 378	\$ 2,763,658	\$ 455,524	\$ 2,095,015	\$ 5,314,575	\$ -
Employee and employer contributions	-	-	-	-	-	7,687,745
Miscellaneous	-	55,636	7,780	13,863	77,279	-
Total Operating Revenues	<u>378</u>	<u>2,819,294</u>	<u>463,304</u>	<u>2,108,878</u>	<u>5,391,854</u>	<u>7,687,745</u>
OPERATING EXPENSES						
Personal services	151,432	472,611	148,488	893,724	1,666,255	-
Vehicle fuel	4,618	18,022	3,883	222,280	248,803	-
Aviation fuel	-	1,574,374	-	-	1,574,374	-
Contractual services	11,359	83,683	16,775	1,347,525	1,459,342	-
Repairs and maintenance	10,293	67,923	122,467	91,791	292,474	-
Professional services	191,948	30,896	6,272	6,113	235,229	460,839
Employee claims	-	-	-	-	-	5,582,094
Utilities	5,440	48,613	78,599	5,264	137,916	-
Insurance	2,137	4,523	909	21,482	29,051	571,398
Rentals and leases	230	5,319	61	33,000	38,610	-
Depreciation	95,324	646,712	28,871	203,187	974,094	-
Miscellaneous	7,234	30,230	23,615	18,385	79,464	3,270
Provision for closure and post closure care	(131,712)	-	-	-	(131,712)	-
Total Operating Expenses	<u>348,303</u>	<u>2,982,906</u>	<u>429,940</u>	<u>2,842,751</u>	<u>6,603,900</u>	<u>6,617,601</u>
Operating Income/(loss)	<u>(347,925)</u>	<u>(163,612)</u>	<u>33,364</u>	<u>(733,873)</u>	<u>(1,212,046)</u>	<u>1,070,144</u>
NON-OPERATING REVENUES (EXPENSES)						
Intergovernmental	281,345	367,354	-	504,481	1,153,180	-
Franchise fees	5,700	-	-	120,498	126,198	-
Interest income	134,534	21,446	17,973	24,574	198,527	126,821
Interest expense	-	(204,125)	(54,223)	(12,686)	(271,034)	-
Total Non-operating Revenues (Expenses)	<u>421,579</u>	<u>184,675</u>	<u>(36,250)</u>	<u>636,867</u>	<u>1,206,871</u>	<u>126,821</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	73,654	21,063	(2,886)	(97,006)	(5,175)	1,196,965
Transfers in	-	-	-	769,859	769,859	-
Transfers out	-	-	-	-	-	-
Capital contributions	-	131,578	-	101,990	233,568	-
CHANGE IN NET ASSETS	73,654	152,641	(2,886)	774,843	998,252	1,196,965
NET ASSETS, BEGINNING OF YEAR	<u>4,178,668</u>	<u>8,277,458</u>	<u>305,213</u>	<u>652,000</u>	<u>13,413,339</u>	<u>2,270,788</u>
NET ASSETS, END OF YEAR	<u>\$ 4,252,322</u>	<u>\$ 8,430,099</u>	<u>\$ 302,327</u>	<u>\$ 1,426,843</u>	<u>\$ 14,411,591</u>	<u>\$ 3,467,753</u>

The accompanying notes are an integral part of the financial statements

FLAGLER COUNTY, FLORIDA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
SEPTEMBER 30, 2008

	Major Proprietary Funds			NonMajor Proprietary Fund	Total	Internal Service
	Landfill	Airport	Utility			
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ (87,134)	\$ 2,759,409	\$ 451,242	\$ 2,247,215	\$ 5,370,732	\$ 7,769,489
Payments to suppliers	(247,838)	(1,883,815)	(333,528)	(1,783,134)	(4,248,315)	(6,838,254)
Payments to employees	(152,685)	(469,529)	(158,332)	(895,715)	(1,676,261)	-
Other receipts	-	55,636	7,780	13,863	77,279	-
Net Cash Provided (Used) By Operating Activities	(487,657)	461,701	(32,838)	(417,771)	(476,565)	931,235
NON-CAPITAL FINANCING ACTIVITIES						
Franchise fees	5,700	-	-	120,499	126,199	-
Increase (decrease) in due from other funds	7,820	(14,992)	2,370	(486,198)	(491,000)	337
Increase (decrease) in due to other funds	(356)	5,432	(42,487)	(23,148)	(60,559)	12,630
Operating transfers in	-	-	-	769,860	769,860	-
Net Cash Provided by Non-Capital Financing Activities	13,164	(9,560)	(40,117)	381,013	344,500	12,967
CAPITAL AND RELATED FINANCING ACTIVITIES						
Change in due from other governments	-	34,957	-	-	34,957	-
Acquisition and construction of capital assets	-	(811,901)	(18,347)	(108,774)	(939,022)	-
Proceeds from long term debt	-	374,351	-	-	374,351	-
Payments on long term debt	-	(120,840)	-	-	(120,840)	-
Intergovernmental	281,345	367,354	-	504,481	1,153,180	-
Interest paid	-	(204,125)	(54,223)	(12,686)	(271,034)	-
Net Cash Provided (used) by Capital and Related Financing Activities	281,345	(360,204)	(72,570)	383,021	231,592	-
INVESTING ACTIVITIES						
Interest on investments	134,534	21,446	17,973	24,573	198,526	126,821
Net Cash Provided by Investing Activities	134,534	21,446	17,973	24,573	198,526	126,821
Net increase in cash and equivalents	(58,614)	113,383	(127,552)	370,836	298,053	1,071,023
CASH AND EQUIVALENTS, BEGINNING OF YEAR	4,466,566	624,880	695,541	220,020	6,007,007	3,744,250
CASH AND EQUIVALENTS, END OF YEAR	\$ 4,407,952	\$ 738,263	\$ 567,989	\$ 590,856	\$ 6,305,060	\$ 4,815,273
CASH AND EQUIVALENTS, END OF YEAR						
Unrestricted	\$ 107,004	\$ 428,300	\$ -	\$ 186,151	\$ 721,455	\$ 1,659,545
Restricted	1,968,987	-	567,989	-	2,536,976	-
INVESTMENTS – UNRESTRICTED	2,331,961	309,963	-	404,705	3,046,629	3,155,728
	\$ 4,407,952	\$ 738,263	\$ 567,989	\$ 590,856	\$ 6,305,060	\$ 4,815,273

Continued

**FLAGLER COUNTY, FLORIDA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
SEPTEMBER 30, 2008**

	Major Proprietary Funds			NonMajor Proprietary Fund	Total	Internal Service
	Landfill	Airport	Utility			
Reconciliation of Operating Income (loss) to net cash Provided by Operating Activities						
Operating income (loss)	\$ (347,925)	\$ (163,612)	\$ 33,364	\$ (733,873)	\$ (1,212,046)	\$ 1,070,144
Adjustment to reconcile operating loss to net cash used in operations:						
Depreciation	95,324	646,712	28,871	203,187	974,094	-
Provision for closure and post closure care	(131,712)	-	-	-	(131,712)	-
Changes in assets and liabilities						
Accounts receivable	1,568	(4,249)	(4,282)	158,804	151,841	76,888
Inventory	-	(45,341)	-	(48)	(45,389)	-
Due from other governments	(89,080)	-	-	(6,604)	(95,684)	4,856
Accounts payable and accrued expenses	(14,129)	22,444	(85,075)	(46,891)	(123,651)	(278,270)
Deferred revenue	-	(550)	-	9,437	8,887	55,274
Due to other governments	50	3,215	1,113	208	4,586	-
Deposits	(500)	-	3,015	-	2,515	2,343
Compensated absences	(1,989)	731	(10,579)	(6,175)	(18,012)	-
OPEB liability	736	2,351	735	4,184	8,006	-
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	\$ (487,657)	\$ 461,701	\$ (32,838)	\$ (417,771)	\$ (476,565)	\$ 931,235

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

Capital assets of \$607,919 and related debt of \$374,351 were acquired through capital contributions from the primary government.

The accompanying notes are an integral part of the financial statements

**FLAGLER COUNTY, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
SEPTEMBER 30, 2008**

		<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$	3,654,447
Accounts receivable		51,631
<hr/>		
TOTAL ASSETS	\$	<u>3,706,078</u>
 LIABILITIES		
Due to other governments	\$	2,059,388
Deposits		1,573,500
Other Liabilities		73,190
<hr/>		
TOTAL LIABILITIES	\$	<u>3,706,078</u>

The accompanying notes are an integral part of the financial statements

FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

(1) Summary of Significant Accounting Policies:

Flagler County, Florida (the County) is a political subdivision of the State of Florida created pursuant to Chapter 7 of the Florida Statutes. It is governed by an elected Board of County Commissioners (the Board) which is governed by state statutes and regulations. The Board has only those powers expressly vested in it by State Statute and its governmental powers cannot be delegated. The Board appoints an administrator to administer all policies emanating from its statutory powers and authority.

The accompanying financial statements present the financial position and results of operations of the governmental and business type activities of the Board and the five constitutional officers (collectively the Constitutional Officers) of the County. The Constitutional Officers are: Clerk of Circuit Court (Clerk), Sheriff, Tax Collector, Property Appraiser, and Supervisor of Elections. The Constitutional Officers maintain separate accounting records and budgets which are combined with the Board for financial reporting purposes.

The accounting policies of the County conform to accounting principles generally accepted in the United States (GAAP) as applicable to governments. The following is a summary of significant accounting policies of the County.

(a) **Reporting Entity** - The Governmental Accounting Standards Board (GASB) in its Statement No. 14, "The Financial Reporting Entity," establishes standards for defining the financial reporting entity. In developing these standards, the GASB assumed that all governmental organizations are responsible to elected officials at the federal, state or local level. Financial reporting by a state or local government should report the elected officials' accountability for those organizations.

The Board is the legislative and governing body of Flagler County, Florida, established under the legal authority of the Constitution of the State of Florida, and consists of five elected officials. The Clerk of the Circuit Court, an elected official, serves as clerk and accountant of the Board pursuant to Florida law.

The County uses the criteria established in GASB No. 14 as amended by GASB No. 39 to define the reporting entity and identify component units. Component units are entities for which the County is considered to be financially accountable.

As required by accounting principles generally accepted in the United States of America, the financial reporting entity consists of (1) the primary government (the County), (2) organizations for which the County is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The County is financially accountable if it appoints a voting majority of the organization's governing body and (a) is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the County. The County may be financially accountable if an organization is fiscally dependent on the County regardless of whether the organization has (a) a separately elected governing board, (b) a governing board appointed by a higher level of government, or (c) a jointly appointed board.

Additionally, a legally separate, tax-exempt organization should be reported as a component unit of the County if all of the following criteria are met: (a) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government or its constituents, (b) the primary government is entitled to or has the ability to otherwise access a majority of the economic resources received or held by the separate organization, and (c) the economic resources received or held by an individual organization that the primary government is entitled to or has the ability to otherwise access are significant to the primary government.

FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

(1) Summary of Significant Accounting Policies: (continued)

(a) Reporting Entity (continued)

Based on these criteria, County management examined all organizations which were legally separate in order to determine which organizations, if any, should be included in the County's financial statements. Management determined that there are no organizations that should be included in the County's financial statements as component units.

(b) Government-wide and Fund Financial Statements - The government-wide financial statements (i.e. statement of net assets and statement of activities) report information on all of the non-fiduciary activities of the County. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

(c) Basis of Presentation, Measurement Focus, and Basis of Accounting - The accompanying financial statements of the County have been prepared in conformity with GAAP as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB), and the American Institute of Certified Public Accountants (AICPA). Under the auspices of GASB Statement No. 20, the County does not apply FASB pronouncements issued after November 30, 1989, for proprietary activities, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles for units of local government.

(d) Government-wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the county-wide financial statements. Fiduciary funds have also been removed from this presentation since the resources are not available for general government funding purposes.

(e) Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This means that only current assets and current liabilities are generally included on the balance sheets.

**FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

(1) Summary of Significant Accounting Policies: (continued)

(e) Fund Financial Statements (continued)

The reported fund balance (net current assets) is considered a measure of "available spendable resources."

The operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets and, accordingly, are said to present a summary of sources and uses of "available spendable resources" during a period.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. "Measurable" means that the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The County considers ad valorem revenues to be available if they are collected within 60 days after year end. Grants collected on a reimbursement basis are recognized as revenue when reimbursable expenditures are made and the County considers amounts received within one year as available. Non-exchange transaction revenues are recognized in the period in which the underlying transaction occurred. Expenditures are generally recognized when the related fund liability is incurred. However, principal and interest on general long-term debt are recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds and the County's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Agency funds are accounted for on the accrual basis of accounting. Agency funds are custodial in nature (i.e. assets equal liabilities) and do not measure the results of operations.

The County's policy is to use restricted resources first, then unrestricted resources, when both are available for use to fund an activity.

Fund financial statements report detailed information about the County. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column.

The County reports the following major governmental funds:

General Fund - To account for all financial resources which are generated from operations of the Board and Constitutional Officers, and any other resources not required to be accounted for in another fund.

**FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

(1) **Summary of Significant Accounting Policies:** (continued)

(e) **Fund Financial Statements** (continued)

Transportation Impact Fees-East - To account for impact fees collected to be used for transportation capital facilities.

Constitutional Gas Tax - To account for 80 percent of the state two-cent gas tax used for the construction of roads and bridges.

Road Impact Fees - Palm Coast - To account for impact fees collected to be used for transportation facilities for District 1, which is for lands within the corporate limits of the City of Palm Coast.

The County reports the following major proprietary funds:

Sanitary Landfill - To account for the operations and activities of the County's three landfills.

Airport - To account for the operations and activities of the County's airport.

Utility - To account for the water and wastewater services in the Beverly Beach water and wastewater service area and the Eagle Lakes development.

Additionally, the County reports the following fund types:

Special Revenue Funds - The Special Revenue Funds of the County are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - The Debt Service Funds of the County are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds - The Capital Projects Funds of the County are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Internal Service Funds - The Internal Service Fund of the County accounts for the self-insurance services provided by the department or agency to other departments or agencies of the governmental unit or to other governmental units, on a cost reimbursement basis.

Fiduciary Funds - The Fiduciary Funds of the County are used to account for assets held by the County as an agent for individuals, private organizations, and other governments. Fiduciary funds administered by the County include Agency Funds, which are custodial in nature and do not measure the results of operations.

**FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

(1) Summary of Significant Accounting Policies: (continued)

(f) **Capital Assets** - All purchased capital assets are recorded at cost where historical records are available and at estimated cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Generally, capital assets costing more than \$1,000 and having a useful life of more than one year are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are reported in the applicable governmental or business-type column in the countywide financial statements, and in the Proprietary Fund Level Statements.

Depreciation on all capital assets is calculated using the straight-line method over the following useful lives:

Infrastructure	20-50 years
Buildings and improvements	5-50 years
Furniture and equipment	3-15 years

In accordance with GASB Statement No. 34, effective October 1, 2006, the County implemented the retroactive reporting of infrastructure assets associated with governmental activities acquired or constructed after October 1, 1980.

The County has artwork in various public facilities. The value of the art is expected to either remain the same or increase over time; therefore, it is not depreciated.

(g) **Long-Term Liabilities** - Long-term liabilities expected to be financed from governmental funds are not reported in the governmental funds but rather are reported on the statement of net assets of Flagler County, Florida. Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

(h) **Budgets and Budgetary Accounting** - The following procedures are utilized by the County in establishing and /or amending the budgetary information contained in the financial statements:

- (i) On or before June 1 of each year, the Clerk of the Circuit Court, Sheriff, Supervisor of Elections and Tax Collector each submit a proposed operating budget for the ensuing fiscal year to the Board.
- (ii) The proposed operating budget of the Property Appraiser must be presented to the Board on or before June 1 of each year and is simultaneously submitted by the Property Appraiser to the State of Florida, Department of Revenue, from which the final approval of the budget of the Property Appraiser must estimate.

FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

(1) Summary of Significant Accounting Policies: (continued)

(h) Budgets and Budgetary Accounting (continued)

- (iii) On or before July 15 of each year, or within 15 days after the receipt of certified taxable property values from the Property Appraiser, whichever occurs last, the County Administrator presents to the Board a proposed budget for the fiscal year commencing the following October 1. Pursuant to the provisions of Section 129.01, Florida Statutes, the proposed budget as submitted contain balanced statements of estimated revenues (including unexpended fund balances to be carried forward) and proposed appropriations for each fund required to be presented by law or by sound financial practices, including the General, Special Revenues, Debt Service, and Capital Projects funds.
- (iv) Following a preliminary review of the proposed budgets by the Board, whose members make such changes as are considered necessary, the Board causes a notice of proposed property taxes to be mailed to each County property taxpayer. Included in the notice is a statement of the Board's intent to hold a Public hearing to consider adoption of the tentative millage rates and budgets, as well as a comparison of the taxpayer's proposed property tax bill with the actual tax bill of the proceeding year.
- (v) Following successful completion of the above referenced Public hearings, the Board advertises and subsequently conducts a second Public hearing to finally adopt a millage rate and budget for each of the taxing entities under their jurisdiction. These Public hearings are ordinarily held prior to October 1 each year. If, however, for some reason the County is unable to finally adopt a budget prior to October 1, state law permits the adoption by resolution of the budget to the preceding year as an interim measure.
- (vi) Pursuant to the provisions of Section 129.07, Florida Statutes, the County is prohibited from expending or contracting for the expenditure of any amount in excess of the total amount budgeted in any fund. It is, however, legally permissible at the present time for the budgets of individual departments included within a particular fund to be overexpended in total without requiring mandatory action by either the Board or the County Administrator.
- (vii) Subsequent to final adoption of the budget by the Board, changes to the budget, as enacted, are only required (by either statutory law or current management practices) when revenues not anticipated in the original budget document are received which management wishes to have appropriated during the current year, resulting in an increase to the total appropriations of a fund. Such increases can only be incorporated into the budget document following approval by the Board.
- (viii) Adoption and execution of the budgets are governed in accordance with applicable provisions of the Florida Statutes.
- (ix) Formal budgetary integration at the object level is used as a management control device for all governmental funds of the County for which annual budgets are adopted, including the General, Special Revenue, Debt Service, and Capital Projects funds. The level at which expenditures may not legally exceed appropriations is the fund level.
- (x) Budgets for the General, Special Revenue, Debt Service and Capital Projects funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

(1) Summary of Significant Accounting Policies: (continued)

(h) Budgets and Budgetary Accounting (continued)

- (xi) All appropriations lapse at the end of each fiscal year, although the County expects to honor purchase orders and contracts in-process, subject to authority provided in the subsequent year's budget.

(i) Cash and Cash Equivalents - The County's cash and cash equivalents are considered to be cash on hand, demand deposits, cash with fiscal agents and short-term investments, including restricted assets, with original maturities of three months or less from acquisition date. Investments are stated at fair value. The County allocates investment earnings of the cash and investment pool to each participating fund on a monthly basis in accordance with the funds average balance in the pool for the month.

(j) Restricted Cash - Restricted cash consists of cash held in escrow for the long term maintenance and care of sanitary landfills as required by Rule 62-701.630 of the Florida Administrative Code. Along with impact fees collected by the utilities fund that have not yet been expended.

(k) Investments - Investments for the County are reported at fair value, in accordance with GASB Statement No. 31. In addition to reporting investments at fair value, the County is reporting investments in accordance with the requirements of GASB 40.

(l) Encumbrances - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in all governmental funds. Encumbrances outstanding at year-end are reported within unreserved undesignated fund balances, as appropriations lapse at fiscal year end. Unexpended items which are encumbered at year end are reappropriated in the subsequent year. Encumbrances of governmental funds at September 30, 2008 were approximately \$4,067,356.

(m) Compensated Absences - The County's personnel policies allow an unlimited accumulation and vesting of unused employee vacation and sick leave time. The County follows accounting principles generally accepted in the United States of America in accounting for compensated absences. The portion of compensated absences of employees of governmental funds expected to be liquidated with current resources has been accrued. Liabilities that will not be liquidated with current resources are not reported in the governmental funds but rather are reported in the basic financial statements of Flagler County, Florida. Liabilities that will be liquidated with current resources have been reported in the appropriate governmental fund. Compensated absences of employees of proprietary funds are recorded as liabilities in the appropriate proprietary fund.

(n) Inventory - Inventory of the proprietary funds is valued at the lower of cost (first-in, first-out) or market. Inventory of the general fund is valued at cost, which approximates market value, using the first-in, first-out method. The cost of inventory of the general fund is recorded as an expenditure when consumed, rather than when purchased. An offsetting reserve is reported to indicate that the asset is not available for appropriation or expenditure.

(o) Interfund Activity - Interfund activity within and among the County's three fund categories (governmental, proprietary, and fiduciary) are classified as reciprocal interfund activity and nonreciprocal interfund activity. Reciprocal interfund resource flows between the funds with an expectation of repayment are reported as interfund receivables and payables. Reciprocal interfund resource flows, without an expectation of repayment within a reasonable time, are reported as transfers between funds.

FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

(1) **Summary of Significant Accounting Policies:** (continued)

(o) **Interfund Activity (continued)**

Interfund services provided and used are sales and purchases of goods and services between funds for a price approximating their external value and are reported as revenues and expenditures (or expenses) in the funds. Nonreciprocal interfund activity are flows of assets between funds without an equivalent flow of assets in return or without a requirement for repayment are reported as transfers in governmental funds and nonoperating revenues and expenses in proprietary funds.

(p) **Deferred Revenue** - Deferred revenues are recorded on the governmental fund balance sheet and the proprietary statement of net assets in the amount of \$2,339,241 and \$91,722, respectively. The amount recorded on the governmental fund balance sheet represents amounts that are deferred because they are not yet considered to be available. Deferred revenue may also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to incurring qualified expenditures. The amount recorded on the proprietary statement of net assets represents amounts that are deferred because they are not considered earned as of September 30, 2008.

(q) **Landfill Closure Costs** - The County recognizes municipal solid waste landfill closure and postclosure care costs under the State of Florida's Solid Waste Management Act of 1988, regulations of the Federal Environmental Protection Agency, and GASB Statement No. 18, "*Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs.*" The County is required to place a final cover on closed landfills and to provide long-term care for up to thirty years after final cover. These obligations for closure and postclosure are recognized in the enterprise fund for the County's sanitary landfill operations over the active life of the landfill, based on capacity.

(r) **Reservations and Designations of Fund Equity** - In the fund level statements, reservations of fund balance are established to identify the existence of assets that have been legally segregated for specific purposes. Assets of legally restricted budgetary funds are an example of this type of reservation; except in those funds that are already restricted by the nature of the fund. Reservations are also established for assets that are not current in nature, such as long-term advances and inventories. Designations of fund equity reflect management's plans for financial resource allocation in a future period. Such plans or intentions are subject to change and may never result in expenditures.

Fund balance reservations include:

- **Inventory** - to reflect that inventory of consumable supplies does not represent available expendable resources.
- **Debt service** - to reflect resources legally restricted for the payment of long-term debt principal and interest amounts maturing in future years.
- **Growth impact** - to reflect resources restricted for the impact of future growth.
- **Future capital outlay** - to reflect resources restricted for the acquisition and/or construction of capital assets.
- **Advances to other funds** - to reflect that advances to other funds do not represent available expendable resources.

**FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

(1) Summary of Significant Accounting Policies: (continued)

(r) Reservations and Designations of Fund Equity (continued)

Significant designations of fund balance include:

Fund Balance Designated for Future Use - Tentative plans for utilization of fund balances for expenditures designated in the County's Annual Budget for upcoming fiscal years, primarily associated with encumbrances and multi-year projects.

(s) Use of Estimates - The preparation of financial statements, in accordance with GAAP, 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Cash Deposits and Investments:

Deposits:

At year end, the carrying amount of the County's deposits was \$23,159,083. The bank balances were \$25,783,577. Any bank balance in excess of FDIC insurance is covered by collateral held by the County's custodian banks which is pledged to a state trust fund that provides security in accordance with the Florida Security for Public Deposits Act, Chapter 280, Florida Statutes.

The Florida Security for Public Deposits Act established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified public depository must pledge at least 50 percent of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125 percent, may be required, if deemed necessary under the conditions set forth in the Act. Obligations pledged to secure deposits must be delivered to the State Treasurer or, with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer.

As of September 30, 2008, the County had the following cash deposits balances:

	Maturity Date	Market Value
Cash and cash equivalents	N/A	\$ 16,967,660
Restricted cash and cash equivalents	N/A	2,536,976
Cash and cash equivalents with trustee	N/A	3,654,447
Total		\$ 23,159,083

Investments:

Flagler County's investment policy is pursuant to Section 218.415, Florida Statutes that updated permitted investments, asset allocation limits, issuer limits, credit ratings requirements, and maturity limits to protect the County's cash and investment assets. The County maintains a common cash and investment pool for the use of all funds.

Section 218.415, Florida Statutes, limits the types of investments that a government can invest in unless specifically authorized in an investment policy.

**FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

(2) Cash Deposits and Investments: (continued)

The County's investment policy allows for the following investments: The Florida State Board of Administration's Local Government Surplus Funds Trust Fund, United States Government Securities, United States Government Agencies, Federal Instrumentalities, Non-Negotiable Interest Bearing Time Certificates of Deposit and Saving Accounts, Repurchase Agreements, Registered investment companies money market mutual funds and Intergovernmental Investment Pools.

As of September 30, 2008, the County had the following investment types and weighted average duration presented in terms of years:

Security Type	Fair Value	Weighted Average Duration (Years)
Federal Home Loan Mortgage Corporation Discount Note (FHLMC)	2,007,799.20	0.02
Federal Home Loan Bank Discount Note (FHLB)	22,365,491.10	0.11
Wells Fargo Advantage Money Market Institutional Fund	3,588,085.23	0.07
Total	\$27,961,375.53	0.10

A. Interest Rate Risk

The County's investment policy sets limits for investment maturities to match known cash needs and anticipated cash flow requirements. Investments of current operating funds shall have maturities of no longer than five (5) years. Investments of bond reserves, construction funds, and other non-operating funds, "core funds", shall have a term appropriate to the need for funds and in accordance with debt covenants, but in no event shall exceed five (5) years. The maturities of the underlying securities of a repurchase agreement will follow the requirements of the Master Repurchase Agreement. The County utilizes "duration" as a measurement of interest rate risk and as of September 30, 2008, the investment portfolio had a weighted average duration of 0.10 years.

The County has no Federal Instrumentalities that have embedded options consisting of the option at the discretion of the issuer to call their obligation or pay a stated increase in the interest rate.

B. Credit Risk

The County's investment policy permits the following investments, which are limited to credit quality ratings from nationally recognized rating agencies as described below.

Mutual Fund shares in open-end and no-load funds are registered under the Federal Investment Company Act of 1940 and operated in accordance with 17 C.F.R. § 270.2a-7. Money market mutual funds are rated AAAM by Standard and Poor's or equivalent by another recognized rating agency.

As of September 30, 2008, the County had the following credit exposure as a percentage of total investments:

Security Type	Credit Rating	Portfolio Asset Allocation
Federal Instrumentalities Discount Notes	A-1+	87.17%
Wells Fargo Advantage Money Market Institutional Fund	AAAM	12.83%
Total		100%

**FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

(2) Cash Deposits and Investments: (continued)

C. Custodial Credit Risk

The County's investment policy, pursuant to Section 218.415(18), Florida Statutes, requires securities, with the exception of certificates of deposits, shall be held with a third party custodian; and all securities purchased by, and all collateral obtained by the County should be properly designated as an asset of the County. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida.

As of September 30, 2008, the County's investment portfolio and 2005 Capital Improvement Bond Portfolio were held with a third-party custodian as required by the County's investment policy.

D. Concentration of Credit Risk

The County's investment policy has established asset allocation and issuer limits on the following investments, which are designed to reduce concentration of credit risk of the County's investment portfolio.

A maximum of 100% of available funds may be invested in the SBA, 100% of available fund may be invested in United States Government Securities, 100% of available funds may be invested in United States Government agencies, 100% of available funds may be invested in Federal Instrumentalities, 75% of available funds may be invested in non-negotiable interest bearing time certificates of deposit, a maximum of 15% of available funds may be invested in repurchase agreements excluding one (1) business day agreements and overnight sweep agreements, a maximum of 25% of available funds may be invested in mutual funds, a maximum of 50% may be invested in intergovernmental investment pools.

As of September 30, 2008, the County had the following issuer concentration based on fair value:

Security Type	Fair Value	Portfolio Asset Allocation
Federal Home Loan Mortgage Corporation Discount Note (FHLMC)	\$2,007,799.20	7.18%
Federal Home Loan Bank Discount Note (FHLB)	22,365,491.10	79.99%
Wells Fargo Advantage Money Market Institutional Fund	3,588,085.23	12.83%
Total	\$27,961,375.53	100%

(3) Property Taxes:

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State regulating tax assessment are also designed to assure a consistent property valuation method statewide. State Statutes permit counties to levy property taxes at a rate of up to 10 mills.

The tax levy of the County is established by the Board prior to October 1 of each year and the Tax Collector incorporates the millages into the total tax levy, which includes the municipalities, independent districts and the County School Board tax requirements.

**FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

(3) Property Taxes: (continued)

All property is assessed according to its fair market value on January 1 of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of State Statute.

All taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for every payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. Taxes paid in March are without discount.

On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. Delinquent taxes on real property bear interest at 18% per year or as bid in a public sale of tax certificates.

Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold certificates are held by the County.

Delinquent taxes on personal property bear interest at 18% per year until the tax is satisfied either by seizure and sale of the property or by the five year statute of limitations.

Key dates in the property tax cycle are as follows:

Assessment roll certified	October 15
Beginning of fiscal year for which taxes have been levied	October 1
Property taxes levied	October 1
Tax bills issued	November 1
Property taxes due by:	
For maximum discount	November 30
Delinquent after	March 31
Tax certificates (liens) sold on unpaid property taxes	May 31

(4) Allowance for Doubtful Accounts:

Account receivables are reported net of an allowance for uncollectible accounts of \$675,853 in the General Fund and \$1,347, \$3,258 and \$120,834 in the Enterprise Funds (Sanitary Landfill, Utilities and Waste Management, respectively).

**FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

(5) Capital Assets - Governmental Activities:

A summary of changes in capital assets follows:

	Balance October 1, 2007	Additions	Deletions	Balance September 30, 2008
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 70,407,432	\$ 2,897,253	\$ 95,841	\$ 73,208,844
Fine art collection	123,700	-	-	123,700
Construction in process	5,336,575	4,203,564	3,474,660	6,065,479
Total capital assets, not being depreciated	75,867,707	7,100,817	3,570,501	79,398,023
Capital assets, being depreciated:				
Buildings	72,593,125	3,305,527	828,426	75,070,226
Improvements other than buildings	14,038,106	1,157,803	33,664	15,162,245
Equipment	31,980,634	1,771,361	2,428,850	31,323,145
Vehicles	13,033,756	1,073,402	1,007,800	13,099,358
Infrastructure	116,068,366	2,426,704	442,904	118,052,166
Total capital assets being depreciated	247,713,987	9,734,797	4,741,644	252,707,140
Less accumulated depreciation for:				
Buildings	3,794,122	1,488,459	292,245	4,990,336
Improvements other than buildings	5,375,202	916,810	33,664	6,258,348
Equipment	14,361,654	3,326,044	2,064,534	15,623,164
Vehicles	7,195,524	1,378,285	1,224,879	7,348,930
Infrastructure	24,428,012	2,381,567	39,861	26,769,718
Total accumulated depreciation	55,154,514	9,491,165	3,655,183	60,990,496
Total capital assets being depreciated, net	192,559,473	243,632	1,086,461	191,716,644
	\$ 268,427,180	\$ 7,344,449	\$ 4,656,962	\$ 271,114,667

**FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

(5) Capital Assets - Governmental Activities: (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:		
General government	\$	2,705,658
Public safety		3,265,682
Physical environment		52,776
Transportation		2,898,686
Economic environment		3,886
Human services		75,578
Culture/recreation		<u>487,335</u>
Total depreciation expense - governmental activities	\$	<u>9,489,601</u>

The increase in accumulated depreciation for governmental activities of \$9,491,165 differs from depreciation expense of \$9,489,601 because of accumulated depreciation in the amount of \$1,564 associated with an asset transferred from governmental activities.

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**FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

(6) Capital Assets -Enterprise Funds:

The increase in accumulated depreciation for governmental activities of \$996,493 differs from depreciation expense of \$974,094 because of accumulated depreciation in the amount of \$22,399 associated with asset transfers from governmental activities.

	<u>Balance October 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2008</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 405,193	\$ -	\$ -	\$ 405,193
Construction in process	802,173	431,608	-	1,233,781
Total capital assets, not being depreciated	<u>1,207,366</u>	<u>431,608</u>	<u>-</u>	<u>1,638,974</u>
Capital assets, being depreciated:				
Buildings	7,784,468	508,934	-	8,293,402
Improvements other than buildings	7,712,508	-	-	7,712,508
Equipment	2,585,670	254,449	34,314	2,805,805
Infrastructure	243,019	-	-	243,019
Total capital assets being depreciated	<u>18,325,665</u>	<u>763,383</u>	<u>34,314</u>	<u>19,054,734</u>
Less accumulated depreciation for:				
Buildings	832,011	202,437	-	1,034,448
Improvements other than buildings	3,118,608	460,527	-	3,579,135
Equipment	1,648,789	328,205	34,314	1,942,680
Infrastructure	20,160	5,324	-	25,484
Total accumulated depreciation	<u>5,619,568</u>	<u>996,493</u>	<u>34,314</u>	<u>6,581,747</u>
Total capital assets being depreciated, net	<u>12,706,097</u>	<u>(233,110)</u>	<u>-</u>	<u>12,472,987</u>
Business-type activities capital assets, net	<u>\$ 13,913,463</u>	<u>\$ 198,498</u>	<u>\$ -</u>	<u>\$ 14,111,961</u>
Depreciation expense was charged as follows:				
Business-type activities:				
Airport	\$ 646,712			
Sanitary landfill	95,324			
Utilities	29,538			
Transportation	202,520			
Total depreciation expense - business-type activities	<u>\$ 974,094</u>			

**FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

(7) Long-Term Debt:

The balance of bonds and notes payable at September 30, 2008, are as follows:

Bonds and Notes Payable from Governmental Activities

<p>Limited Tax General Obligation and Refunding Bonds, Series 1998 with an original face value of \$5,105,000, were issued in December, 1998 to refund the Limited Tax General Obligation Bonds, Series 1989, and to finance the cost of the acquisition of certain environmentally sensitive lands located within the County. Interest is paid at 3.97%. The Bonds are limited obligations of the County. The payment of principal and interest on the bonds is payable from and secured by a pledge of ad valorem taxes at a rate not to exceed one-third of one mill per year on all the taxable property within the County. Principal payments are due on July 1. Interest payments are due on January 1 and July 1 of each year. Maturity is July 1, 2009.</p>	<p>\$ 570,000</p>
<p>Limited General Obligation Bonds, Series 2005 with an original face value of \$6,665,000, were issued in February, 2005 to finance the costs of the acquisition of certain environmentally sensitive lands in the County. Interest is paid at 3.000 – 3.625%. The bonds are limited obligations of the County. The payment of principal and interest on the bond is payable from and secured by a pledge of ad valorem taxes at a rate not to exceed 0.163 mill per year on all taxable property within the County. Principal payments are due on July 1. Interest payments are due on January 1 and July 1 of each year. Maturity is July 1, 2017.</p>	<p>5,105,000</p>
<p>General Obligation Bonds, Series 2005 with an original face value of \$32,990,000 were issued September, 2005 to finance the costs of the acquisition and construction of a new judicial center in the County. Interest is paid at 3.000 – 4.375%. The bonds are general obligations of the County. The payment of principal and interest on the bond is payable from and secured by a pledge of ad valorem taxes on all taxable property within the County. Principal payments are due on July 1. Interest payments are due on January 1 and July 1 of each year. Maturity is July 1, 2035.</p>	<p>31,255,000</p>
<p>Capital Improvement Revenue Bonds, Series 2005 with an original face value of \$34,105,000, were issued in September 2005 to finance the costs of the acquisition and construction of certain capital improvements in the County and funding a deposit to the Reserve Account for the Series 2005 Capital Improvement Revenue Bonds. Interest is paid at 3.250 – 5.000%. The bonds are special obligations of the County. The payment of principal and interest on the bond is payable solely from and secured by a lien upon and pledge of all monies allocated for and distributed to the County from the Local Government Half-Cent Sales Tax, Discretionary Sales Surtax, Communication Services Tax and Revenue Sharing. Principal payments are due on Oct 1. Interest payments are due on April 1 and October 1 each year. Maturity is October 1, 2035.</p>	<p>31,765,000</p>
<p>Special Assessment Revenue Note, Series 2002 with an original face value of \$3,730,000 were issued December 2002 to refund the Special Assessment Revenue Bonds, Series 1991 which financed the construction of extensions and improvements to “Colbert Lane” along with two park access roads. Interest is payable at a fixed rate of 3.83% per annum. The principal and interest are payable solely from and secured by a prior lien upon and pledge of the proceeds of a special assessment levied against all property determined to be specifically benefited by the project. Maturity is July 1, 2014.</p>	<p>1,860,000</p>

**FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

(7) Long-Term Debt: (continued)

Note Payable - was issued on August 16, 2004 for the purchase of equipment. Payments of \$21,176 including interest at a variable rate that is equal to 63.7% of the applicable LIBOR rate plus 1.50% per annum, are due on each January 1, April 1, July 1 and October 1. Maturity is August 1, 2009	95,459
Note Payable - was issued on September 28, 2005. Payments of principal and interest at 4.73% are due on October 1 and April 1 each year. Maturity is October 1, 2020.	<u>9,506,000</u>
Bonds and notes payable from governmental activities	<u>80,156,459</u>
 Note Payable from Business-Type Activities	
Note Payable - was issued on November 30, 2004. Payments of principal and interest at 4.43% are due on January 1, April 1, July 1 and October 1 each year. Maturity is October 1, 2023.	1,238,560
Note Payable - was issued on October 24, 2006. Payments of principal and interest at 7.48% are due on December 31, March 31, June 30 and September 30 each year. Maturity is December 31, 2025.	1,937,371
Note Payable - non-interest bearing note was issued on June 28, 2008 as a repayment on a CDBG grant in the amount of \$413,905. Payments of principal only, are due quarterly on each January 1, April 1, July 1 and October 1. Maturity is January 1, 2015	360,982
 Capital Lease Obligation	
Various installment lease purchases of office equipment and heavy machinery with lease maturity dates through 2010.	750,558
 Accrued Compensated Absences	
Governmental Activities	2,461,651
Business-Type Activities	66,272
 OPEB Liability	
Governmental Activities	211,894
Business-Type Activities	8,006
 Arbitrage Liability	 524,226
 Landfill closure and and postclosure care	 841,501
 Add Unamortized Premium	 <u>926,145</u>
Total Long-Term Obligations	<u><u>\$ 89,483,625</u></u>

**FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

(7) **Long-Term Debt:** (continued)

As of September 30, 2008, all reserve requirements had been met through maintenance of reserve accounts.

Debt service requirements to maturity on the County's long-term obligations at September 30, 2008, are as follows:

Fiscal Year Ending September 30,	General long-term bonds		Notes payable		Total Long-Term Obligations and Interest
	Principal	Interest	Principal	Interest	
2009	2,950,000	\$ 2,897,877	\$ 1,369,142	\$ 712,077	\$ 7,929,096
2010	2,455,000	2,795,267	1,318,699	652,922	7,221,888
2011	2,545,000	2,712,470	1,218,171	593,683	7,069,324
2012	2,630,000	2,623,160	1,115,007	542,751	6,910,918
2013	2,730,000	2,522,747	1,152,616	492,499	6,897,862
2014-2018	10,375,000	11,231,363	4,980,502	1,715,760	28,302,625
2019-2023	9,675,000	9,236,770	3,376,975	529,814	22,818,559
2024-2028	11,860,000	7,017,021	467,260	40,329	19,384,610
2029-2033	14,805,000	4,015,626	-	-	18,820,626
2034-2038	8,670,000	625,218	-	-	9,295,218
Total principal and interest	68,695,000	45,677,519	14,998,372	5,279,835	134,650,726
Less interest to be paid	-	(45,677,519)	-	(5,279,835)	(50,957,354)
Total principal	68,695,000	-	14,998,372	-	83,693,372
Deferred amounts	926,145	-	-	-	926,145
Totals	<u>\$ 69,621,145</u>	<u>\$ -</u>	<u>\$ 14,998,372</u>	<u>\$ -</u>	84,619,517

Long-term obligations not included above:

Accrued compensated absences payable	2,527,923
OPEB liability	219,900
Arbitrage liability	524,226
Capitalized lease obligations	750,558
Landfill closure and post closure care	<u>841,501</u>

Total long-term obligations \$ 89,483,625

**FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

(7) Long-Term Debt: (continued)

Changes in long-term liabilities for the fiscal year ended September 30, 2008, are summarized as follows:

	<u>Balance October 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2008</u>	<u>Due within one year</u>
Governmental activities:					
General long-term obligations:					
Bonds payable	71,555,000	-	2,860,000	68,695,000	2,950,000
Notes payable	18,750,676	-	7,289,217	11,461,459	1,201,458
Deferred amounts:					
Issuance premiums	962,131	-	35,985	926,146	35,985
Total bonds and notes payable	91,267,807	-	10,185,202	81,082,605	4,187,443
Accrued compensated absences	2,211,375	2,674,010	2,423,734	2,461,651	2,114,830
OPEB liability	-	211,894	-	211,894	-
Arbitrage liability	462,227	61,999	-	524,226	-
Capitalized lease obligations	971,413	750,000	970,855	750,558	500,693
Total governmental activity long-term obligations	94,912,822	3,697,903	13,579,791	85,030,934	6,802,966
Business-type activities:					
Notes payable	3,283,401	374,351	120,840	3,536,912	167,684
Accrued compensated absences	84,284	103,588	121,600	66,272	66,272
OPEB liability	-	8,006	-	8,006	-
Landfill closure and postclosure care	973,213	-	131,712	841,501	-
Total business-type activity long-term obligations	4,340,898	485,945	374,152	4,452,691	233,956
TOTAL LONG-TERM LIABILITIES	\$ 99,253,720	\$ 4,183,848	\$ 13,953,943	\$ 89,483,625	\$ 7,036,922

Compensated absences are liquidated by the respective funds that are obligated for the related payroll cost.

The County is the lessee of equipment and vehicles expiring at various dates through 2010. The assets and liabilities under the capital leases are recorded at the present value of the minimum lease payments.

The following is an analysis of fixed assets leased under capital leases as of September 30, 2008:

	<u>Balance September 30, 2008</u>
Vehicles and Equipment	\$ 3,540,435
Less: accumulated depreciation	(1,594,051)
Capital assets net	<u>\$ 1,946,384</u>

**FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

(7) **Long-Term Debt:** (continued)

Future minimum lease payments under the capital leases as of September 30, 2008 and for the remaining terms are as follows:

Fiscal Year Ending September 30	Amount
2009	\$ 532,011
2010	260,134
Total principal and interest	792,145
Less amounts representing interest	(41,587)
Total principal	\$ 750,558

On December 1, 2000, the County early retired four bond issues including accrued interest. These bonds were retired pursuant to an interlocal agreement, as amended (the Agreement), between Flagler County and several municipal corporations within Flagler County. Payment for the retirement of these bonds was made from the Landfill Debt Service Fund and the Landfill Capital Projects Fund in accordance with the Agreement.

The Agreement also required the establishment of reserves in the following amounts:

	Amount originally reserved	Amount used as of September 30, 2008	Remaining balance, September 30, 2008
Monitoring of existing and future landfills	\$ 1,600,000	\$ (1,600,000)	\$ -
Future landfill capital purchases	1,380,000	(349,972)	1,030,028
Payments to the municipal corporations	1,250,000	(1,250,000)	-
Future purchase of fire suppression equipment and/or the construction of fire stations	2,314,654	(2,089,654)	225,000
Totals	\$ 6,544,654	\$ (5,289,626)	\$ 1,255,028

The County met the reserve requirement of monitoring of existing and future landfills by transferring \$1,591,071 to the landfill escrow account during the year ended September 30, 2001. The remaining balance of \$8,929 was spent during the year ended September 30, 2001.

The remaining balance at September 30, 2008 is included in equity on the accompanying statement of net assets and balance sheet as follows:

General fund:	
Fund balance reserved for future capital outlay	\$ 225,000
Enterprise funds:	
Retained earnings reserved for future capital purchases	1,030,028
Totals	\$ 1,255,028

**FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

(7) Long-Term Debt: (continued)

Interest Rate Swaps - As a means of lowering its borrowing costs, when compared with fixed rate notes at the time of issuance in December 2004 and September 2005, the County entered into interest rate swap agreements with Bank of America. The intention of the swaps is to effectively change the County's variable interest rate note to a synthetic fixed rate. Under the swap agreement, the County pays the counterparty interest calculated at a fixed rate. In return, the counterparty owes the County interest based on a variable rate per annum equal to a percentage of LIBOR plus a variable spread rate. Only the net difference in the payments is actually exchanged with the counterparty. The note principal is not exchanged; it is only the basis on which interest payments are calculated.

Bank of America - Capital Equipment

Terms - Effective December 6, 2004, the County entered into a five year floating receiver swap with Bank of America with a fixed rate of 3.98%. The notional amount of the swap as of September 30, 2008 was \$118,621. The county receives payments quarterly and makes payments quarterly. The swap is related to the \$450,000 purchase of public works capital equipment.

Fair Value - As of September 30, 2008, the underlying swaps had a negative fair value of \$365. This fair value was obtained by the counter-parties' mark to market reports submitted to the County.

Bank of America - Airport Capital Improvements

Terms - Effective December 6, 2004, the County entered into a nineteen year floating receiver swap with Bank of America with a fixed rate of 4.43%. The notional amount of the swap as of September 30, 2008 was \$1,238,560. The county receives payments quarterly and makes payments quarterly. The swap is related to the \$1,440,626 construction of capital assets.

Fair Value - As of September 30, 2008, the underlying swaps had a negative fair value of \$49,316. This fair value was obtained by the counter-parties' mark to market reports submitted to the County.

Bank of America -

Terms - Effective September 27, 2005, the County entered into a fifteen year structured trade swap with Bank of America with a fixed rate of 4.73%. The notional amount of the swap as of September 30, 2008 was \$9,506,000. The county receives payments quarterly and makes payments semiannually. The swap is related to the \$11,346,000 purchase of emergency equipment.

Fair Value - As of September 30, 2008, the underlying swaps had a negative fair value of \$264,244. This fair value was obtained by the counter-parties' mark to market reports submitted to the County.

Obligation for Bond Arbitrage Rebate – Pursuant to the U.S. Internal Revenue Code, the County must rebate to the United States Government the excess of interest earned from the investment of certain bond proceeds and pledged revenues over the yield rate of the applicable debt. Arbitrage rebate, if any, is due and payable on each five year anniversary of the respective debt issue. As of September 30, 2008, the outstanding arbitrage rebate liability was \$524,226.

(8) Short-Term Debt:

A summary of changes in governmental short-term debt follows:

	Balance			Balance
	October 1, 2007	Additions	Deductions	September 30, 2008
Tax anticipation Note	\$ -	\$ 2,000,000	\$ 2,000,000	\$ -
Totals	<u>\$ -</u>	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ -</u>

The Board entered into a short term note payable agreement to provide operating capital for its operations.

**FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

(9) Landfill Closure and Postclosure Costs:

State and federal laws and regulations require the County to place a final cover on the Construction and Demolition Debris Landfill (C&D) Landfill when closed and to perform certain maintenance and monitoring functions at the landfill site for five years after closure. The C&D Landfill facility was closed April 2006. The accrued costs for postclosure care as of September 30, 2008 are \$94,733.

In addition, an accrual has been made to recognize the estimated postclosure maintenance and monitoring requirements for the previously closed Old Kings Road Landfill and Old Bunnell Landfill. These remaining accrued costs at September 30, 2008 are \$746,769.

All amounts recognized are based on an estimate by the County's consulting engineers of the costs to perform all closure and postclosure care as of September 30, 2008. Actual costs may be different due to inflation, changes in technology, or changes in laws and regulations. The County is required by state and federal laws and regulations to establish escrow accounts for closure and postclosure costs of the three landfills. The County has complied with these requirements by depositing \$1,968,987 into landfill management escrow accounts. These monies are reported as a restricted asset in the accompanying financial statements on the Sanitary Landfill Enterprise Fund statement of net assets. The difference between the cash held in escrow and the landfill closure and postclosure care liability is recorded as net assets restricted for landfill postclosure care.

(10) Pension Plans:

Defined Benefit Pension Plan - The County participates in the Florida Retirement System Pension Plan (Pension Plan), a cost-sharing multiple-employer public employee retirement system administered by the State of Florida Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. The Pension Plan issues a publicly available financial report that includes financial statements, ten-year historical trend information, and other required supplementary information.

That report may be obtained by writing to the:

State of Florida Division of Retirement
Department of Management Services
PO Box 9000
Tallahassee, Florida 32315-9000

The Pension Plan provides vesting of benefits after six years of creditable service. Regular members are eligible for normal retirement after six years of service and attaining age sixty-two, or thirty years of service regardless of age. Early retirement may be taken any time after completing six years of service, however, there is a five percent benefit reduction for each year prior to normal retirement. Generally, membership is compulsory for all full-time and part-time employees, except for elected county officials and senior management who may elect not to participate in the System. Retirement contribution rates are based on an actuarial report prepared for the State. Retirement coverage is employee noncontributory. The employer pays all contributions. The contribution rates are as follows:

**FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

(10) **Pension Plans:** (continued)

	<u>July 1, 2007 - June 30, 2008</u>	<u>July 1, 2008 - September 30, 2008</u>
Regular employees	9.85%	9.85%
Special risk employees	20.92%	20.92%
Elected county officials	16.53%	16.53%
Senior management	13.12%	13.12%
Deferred retirement option employees	10.91%	10.91%
State University system optional retirement plan	10.43%	10.43%

The contribution rate of current year covered payroll is 12.58 percent. For the years ended September 30, 2008, 2007, and 2006, total contributions were \$4,420,041, \$4,162,852, and \$3,117,753, respectively. The County made actual contributions equal to the actuarially determined required contributions each year.

Defined Contribution Pension Plans -

- (a) As of July 1, 2002, the Florida Retirement System offers members the option of participating in the Florida Retirement System Investment Plan (Investment Plan), a defined contribution plan qualified under Section 401(a) of the Internal Revenue Code. The Investment Plan is administered by the State of Florida Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees, Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions.

The Investment Plan provides vesting of benefits after one year of creditable service. Employees may make an election to participate in the Investment Plan instead of the Pension Plan. Existing employees may make the election beginning December 1, 2002. New employees may make the election within five months of their month of hire. Participants in the Investment Plan also have a one-time opportunity to switch back to the Pension Plan at any time by "buying back" into the Pension Plan. Retirement coverage is employee noncontributory. The employer pays all contributions. The rates for the Investment Plan are the same as the Pension Plan.

For the year ended September 30, 2008, 101 employees of the County were participating in the Investment Plan.

(11) **Risk Management:**

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the County carries commercial insurance. There were no significant reductions in insurance coverage from prior years. For the past three years, there have been no insurance settlements significantly in excess of insurance coverage.

Employee life and health insurance is provided under an externally administered self-insured plan. Employees pay for cost of family health insurance coverage. The County pays all administrative fees and purchases insurance to absorb losses in excess of \$100,000. Claims liabilities are reported at current dollar value and are comprised of unpaid claims on hand and a reserve for claims incurred but not reported. This estimate of approximately \$1,242,614 at September 30, 2008 is based on historical experience, current trends and an actuarial study performed by an actuarial firm.

**FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

(11) **Risk Management:** (continued)

The self-insurance plan is accounted for in the Group Medical Benefit Internal Service Fund. The self-insurance plan includes the Constitutional Officers who contributed a total of \$3,849,058 to the plan for the year ended September 30, 2008. Changes in the Fund's claims liability were as follows.

	<u>Liability at October 1</u>	<u>Claims incurred</u>	<u>Claims paid</u>	<u>Liability at September 30</u>
2005 - 2006	746,280	6,274,880	6,253,890	767,270
2006 - 2007	767,270	5,542,899	4,772,183	1,537,986
2007 - 2008	1,537,986	5,582,094	5,877,466	1,242,614

(12) **Interfund Balances and Transfers:**

These balances represent loans between the borrower and the lender funds. These resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur. Advances are not expected to be collected within one year. At September 30, 2008, interfund balances consisted of:

	<u>Due from other funds</u>	<u>Due to other funds</u>
General fund	\$ 470,824	\$ 748,784
General fund advances	2,319,851	-
Constitutional gas tax	-	201,075
Transportation impact fees - east	73	-
Road impact fees - Palm Coast	-	33
Nonmajor governmental funds	345,542	387,415
Sanitary landfill	5,472	3,543
Airport	29,070	19,116
Utility	2,932	61,199
Nonmajor business-type funds	607,632	27,750
Nonmajor business-type funds advances	-	2,319,851
Internal service fund	-	12,630
	<u>\$ 3,781,396</u>	<u>\$ 3,781,396</u>

Subsequent to year end the Board approved an interfund transfer from general fund to the transportation fund to eliminate the advance balance of \$439,851. The advance balance of \$1,880,000 from the utilities fund for start up costs remains open.

**FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

(12) Interfund Balances and Transfers: (continued)

The County makes routine transfers between its funds in the course of the fiscal year. The principal purposes of these transfers are to allocate resources for debt service, construction or other capital projects, and to provide operating subsidies. These transfers are consistent with the activities of the funds involved. A summary of the transfers follows:

	<u>Transfer in</u>	<u>Transfer out</u>
General fund	\$ 160,564	\$ 2,362,992
Constitutional gas tax	-	110,100
Transportation impact fees - east	80,005	-
Nonmajor governmental funds	2,637,157	1,174,493
Nonmajor business-type funds	<u>769,859</u>	<u>-</u>
Total transfers	<u>\$ 3,647,585</u>	<u>\$ 3,647,585</u>

(13) Commitments and Contingencies:

The County is involved in various other litigation matters arising from the normal operations of a local government. It is the opinion of management that none of those matters will have a material impact on the financial statements of the County.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amount, if any, to be immaterial.

(14) Special Assessment Receivable:

Special assessment receivable consists of a special assessment levied for the Colbert Lane project and is included in the General Fund. The special assessment is payable in semi-annual installments equal to the semi-annual principal debt service requirements and matures July 2014. Additionally, interest is charged at a rate equal to the interest rate on the special assessment debt plus 1% (4.83% at September 30, 2008). Special assessment receivable at September 30, 2008 was \$1,340,235 and is due from one taxpayer.

(15) Other Postemployment Benefits:

The County offers a self-funded health insurance plan that provides health, prescription drugs, dental, vision and life insurance coverage to its active employees, eligible retirees and dependents. Florida Statutes require local governments to offer the same health and hospitalization insurance coverage to retirees and their eligible dependents as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. Full time and regular part-time employees who work at least 20 hours per week are eligible to participate in the plan. Employees who are eligible for Normal or Early retirement under FRS are eligible to participate in the plan. For regular employees normal retirement age is the earlier of age 62 with 6 years of service, or any age with 30 years of service, employees can retire early with 6 years of service as long as they can receive a FRS benefit.

**FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

(15) Other Postemployment Benefits: (continued)

Special risk employees may become eligible for Normal Retirement after 25 years of special risk service or attainment of age 52 with 25 years of combined special risk and non special risk service, employees can retire early with 6 years of service as long as they can receive an FRS benefit. Employees who become disabled in the line of duty are allowed to continue coverage. Retirees may cover spouses and eligible dependent children. Surviving spouses can continue coverage after retiree's death for up to 36 months by paying the COBRA rates.

The County's annual other postemployment benefit (OPEB) cost is calculated based on the required contribution of the employer (ARC). The ARC is actuarially determined in accordance with standards set in accepted accounting standards and represents the level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize past unfunded liabilities over 30 years.

As of September 30, 2008 the schedule of employer contributions was as follows:

Annual Required Contribution	\$269,900
Actual Contribution Made	\$50,000
Percentage contributed	19%

The process of determining the liability for retiree medical benefits is based on many actuarial assumptions about future events. The key actuarial assumptions are: turnover and retirement rates, medical inflation and claims costs assumptions, mortality assumptions and discount rate assumptions. The actuarial method used was the projected unit credit cost method with an amortization period of 30 years on a closed basis. A rate of 4% was assumed for payroll inflation, a 4% discount rate was used for interest calculations and an ultimate inflation rate of 5% was used for premium increases. All other assumptions were based on FRS rates.

The County's schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability(UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/1/2007	\$0	\$1,704,000	\$1,704,000	0%	\$30,553,455	6%

(1) – Initial year of plan disclosure, no prior year data available

(16) Subsequent Events:

In February of 2008 the Board requested the Auditor General of the State of Florida perform a financial audit of its capital projects fund. The audit report was received by the County April 14, 2009 and is available on the auditor general's website <http://www.myflorida.com/audgen/> - report number **2009-194**.

Subsequent to year end the County issued a notice of default on space/use agreement with one of its airport space rental occupants. The airport revenues are pledged for repayment of a note payable and are subject to a minimum debt ratio percentage.

**FLAGLER COUNTY, FLORIDA
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Special Revenue Funds

	Fine and Forfeiture	County Transportation Trust	Legal Aid	Law Enforcement Trust
ASSETS				
Cash and cash equivalents	\$ 34,537	\$ 483,270	\$ 60,293	\$ 50,018
Cash with fiscal agent	-	-	-	-
Investments	-	-	-	-
Accounts receivable	-	-	-	-
Due from other funds	-	193,769	1,723	-
Due from other governments	-	170,388	-	-
Other assets	-	-	-	-
TOTAL ASSETS	\$ 34,537	\$ 847,427	\$ 62,016	\$ 50,018
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 17	\$ 29,364	\$ 11,304	\$ 128
Deposits	-	88,877	-	-
Due to other funds	104	28,803	248	6,160
Due to other governments	-	6,891	-	-
Deferred revenue	-	-	-	-
TOTAL LIABILITIES	121	153,935	11,552	6,288
FUND BALANCES (DEFICIT)				
Reserved for growth impact	-	-	-	-
Reserved for inventory	-	-	-	-
Reserved for debt service	-	-	-	-
Reserved for capital outlay	-	-	-	-
Unreserved				
Designated for future use	-	-	-	-
Designated for contingency	-	-	-	-
Unreserved-undesignated	34,416	693,492	50,464	43,730
TOTAL FUND BALANCES (DEFICIT)	34,416	693,492	50,464	43,730
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 34,537	\$ 847,427	\$ 62,016	\$ 50,018

Special Revenue Funds

<u>Law Library</u>	<u>Court Facilities</u>	<u>Tourist Development Tax Capital</u>	<u>Tourist Development Tax Promotion</u>	<u>Tourist Development Tax – Beach Restoration</u>	<u>Countywide Road Damage</u>
\$ 15,178	\$ 154,250	\$ 294,816	\$ 187,449	\$ 123,184	\$ 10,398
-	253,351	853,883	550,990	534,400	-
-	-	-	-	-	-
1,798	11,949	-	-	-	-
-	-	22,322	40,924	120,161	-
-	-	-	-	-	-
<u>\$ 16,976</u>	<u>\$ 419,550</u>	<u>\$ 1,171,021</u>	<u>\$ 779,363</u>	<u>\$ 777,745</u>	<u>\$ 10,398</u>
\$ 867	\$ 1,117	\$ 67,164	\$ 41,155	\$ 125	\$ 6
-	-	-	-	-	-
516	802	1,751	960	340	35
-	-	175	-	17,647	-
-	-	-	-	-	-
<u>1,383</u>	<u>1,919</u>	<u>69,090</u>	<u>42,115</u>	<u>18,112</u>	<u>41</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
15,593	417,631	1,101,931	737,248	759,633	10,357
<u>15,593</u>	<u>417,631</u>	<u>1,101,931</u>	<u>737,248</u>	<u>759,633</u>	<u>10,357</u>
<u>\$ 16,976</u>	<u>\$ 419,550</u>	<u>\$ 1,171,021</u>	<u>\$ 779,363</u>	<u>\$ 777,745</u>	<u>\$ 10,398</u>

(Continued)

**FLAGLER COUNTY, FLORIDA
 COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Special Revenue Funds (Continued)

	Environmentally Sensitive Land	Utility Regulatory Authority	Government Services Building Operations	Transportation Impact Fees West	Park Impact Fees
ASSETS					
Cash and cash equivalents	\$ 449,919	\$ 21,630	\$ 57,066	\$ 18,426	\$ 228,191
Cash with fiscal agent	-	-	-	-	-
Investments	1,661,981	-	197	-	100,968
Accounts receivable	-	-	-	8,898	-
Due from other funds	-	-	55	-	-
Due from other governments	-	-	97,625	-	223,460
Other assets	-	-	-	-	-
TOTAL ASSETS	\$ 2,111,900	\$ 21,630	\$ 154,943	\$ 27,324	\$ 552,619
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued liabilities	\$ 504	\$ 13	\$ 34,685	\$ 11	\$ 151,626
Deposits	-	-	-	-	-
Due to other funds	-	73	-	3,376	633
Due to other governments	-	-	6,064	-	-
Deferred revenue	-	-	-	-	-
TOTAL LIABILITIES	504	86	40,749	3,387	152,259
FUND BALANCES (DEFICIT)					
Reserved for growth impact	-	-	-	-	-
Reserved for inventory	-	-	-	-	-
Reserved for debt service	-	-	-	-	-
Reserved for capital outlay	-	-	-	-	-
Unreserved	-	-	-	-	-
Designated for future use	-	-	-	-	-
Designated for contingency	-	-	-	-	-
Unreserved-undesignated	2,111,396	21,544	114,194	23,937	400,360
TOTAL FUND BALANCES (DEFICIT)	2,111,396	21,544	114,194	23,937	400,360
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 2,111,900	\$ 21,630	\$ 154,943	\$ 27,324	\$ 552,619

Special Revenue Funds

New Transportation Impact Fees East	Economic Development	CDBG FL Rock	State Housing Initiative	Bimini Gardens Municipal Service	Colbert Lane Settlement
\$ 68,783	\$ 967,275	\$ 1,067	\$ 536,486	\$ 13,482	\$ 64,571
-	-	-	-	-	-
208,087	-	-	-	-	-
-	-	-	144	68	-
36,916	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 313,786</u>	<u>\$ 967,275</u>	<u>\$ 1,067</u>	<u>\$ 536,630</u>	<u>\$ 13,550</u>	<u>\$ 64,571</u>
\$ 10,333	\$ 136,758	\$ -	\$ 2,334	\$ 8	\$ 6
-	-	-	-	-	-
1,281	-	-	1,138	46	-
-	-	-	-	-	-
-	-	1,067	-	-	-
<u>11,614</u>	<u>136,758</u>	<u>1,067</u>	<u>3,472</u>	<u>54</u>	<u>6</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
302,172	830,517	-	533,158	13,496	64,565
<u>302,172</u>	<u>830,517</u>	<u>-</u>	<u>533,158</u>	<u>13,496</u>	<u>64,565</u>
<u>\$ 313,786</u>	<u>\$ 967,275</u>	<u>\$ 1,067</u>	<u>\$ 536,630</u>	<u>\$ 13,550</u>	<u>\$ 64,571</u>

(Continued)

**FLAGLER COUNTY, FLORIDA
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Special Revenue Funds (Continued)

	Espanola Mosquito Control	Rima Ridge Mosquito Control	Municipal Services	Building Department
ASSETS				
Cash and cash equivalents	\$ 15,339	\$ 43,262	\$ 222,921	\$ 69,677
Cash with fiscal agent	-	-	-	-
Investments	-	-	203,342	1,203,029
Accounts receivable	-	-	717	4,276
Due from other funds	15	29	87,303	12,242
Due from other governments	2,477	2,477	76,456	3,139
Other assets	-	-	350	-
TOTAL ASSETS	\$ 17,831	\$ 45,768	\$ 591,089	\$ 1,292,363
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	\$ 1	\$ 6,338	\$ 6,987
Deposits	-	-	57,445	-
Due to other funds	-	-	31,923	17,364
Due to other governments	330	352	26,582	1,100
Deferred revenue	8,638	30,402	-	-
TOTAL LIABILITIES	8,968	30,755	122,288	25,451
FUND BALANCES (DEFICIT)				
Reserved for growth impact	-	-	-	-
Reserved for inventory	-	-	-	-
Reserved for debt service	-	-	-	-
Reserved for capital outlay	-	-	-	-
Unreserved				
Designated for future use	-	-	-	-
Designated for contingency	-	-	-	-
Unreserved-undesignated	8,863	15,013	468,801	1,266,912
TOTAL FUND BALANCES (DEFICIT)	8,863	15,013	468,801	1,266,912
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 17,831	\$ 45,768	\$ 591,089	\$ 1,292,363

Special Revenue Funds

Mediation and Arbitration	Court Services	Domestic Violence	Alcohol and Other Drug Trust Fund	Court Technology	Juvenile Diversion
\$ 20,636	\$ 3	\$ -	\$ 6,617	\$ 120,886	\$ 11,618
-	-	-	-	-	-
-	-	-	-	202,319	-
-	-	115	141	14,490	1,543
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 20,636</u>	<u>\$ 3</u>	<u>\$ 115</u>	<u>\$ 6,758</u>	<u>\$ 337,695</u>	<u>\$ 13,161</u>
\$ 12	\$ -	\$ 2	\$ 1,400	\$ 6,560	\$ 6
-	-	-	-	-	-
70	-	23	30	707	124
-	-	-	-	-	-
-	-	-	-	-	-
<u>82</u>	<u>-</u>	<u>25</u>	<u>1,430</u>	<u>7,267</u>	<u>130</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
20,554	3	90	5,328	330,428	13,031
<u>20,554</u>	<u>3</u>	<u>90</u>	<u>5,328</u>	<u>330,428</u>	<u>13,031</u>
<u>\$ 20,636</u>	<u>\$ 3</u>	<u>\$ 115</u>	<u>\$ 6,758</u>	<u>\$ 337,695</u>	<u>\$ 13,161</u>

(Continued)

**FLAGLER COUNTY, FLORIDA
 COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Special Revenue Funds (Continued)

	<u>Crime Prevention</u>	<u>Court Innovations</u>	<u>Teen Court</u>	<u>E-911</u>	<u>Daytona North Service District</u>
ASSETS					
Cash and cash equivalents	\$ 45,919	\$ 70,122	\$ 20,414	\$ 82,553	\$ 65,733
Cash with fiscal agent	-	-	-	-	-
Investments	101,145	101,145	-	606,719	-
Accounts receivable	-	-	-	-	-
Due from other funds	2,344	1,638	2,690	228	3,100
Due from other governments	-	-	-	104,113	8,159
Other assets	-	-	-	-	-
TOTAL ASSETS	<u>\$ 149,408</u>	<u>\$ 172,905</u>	<u>\$ 23,104</u>	<u>\$ 793,613</u>	<u>\$ 76,992</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued liabilities	\$ 53	\$ 67	\$ 32	\$ 28,519	\$ 3,695
Deposits	-	-	-	-	-
Due to other funds	321	360	1,865	4,214	281
Due to other governments	-	-	-	-	3,675
Deferred revenue	-	-	-	341,454	-
TOTAL LIABILITIES	<u>374</u>	<u>427</u>	<u>1,897</u>	<u>374,187</u>	<u>7,651</u>
FUND BALANCES (DEFICIT)					
Reserved for growth impact	-	-	-	-	-
Reserved for inventory	-	-	-	-	-
Reserved for debt service	-	-	-	-	-
Reserved for capital outlay	-	-	-	-	-
Unreserved					
Designated for future use	-	-	-	-	-
Designated for contingency	-	-	-	-	-
Unreserved-undesignated	149,034	172,478	21,207	419,426	69,341
TOTAL FUND BALANCES (DEFICIT)	<u>149,034</u>	<u>172,478</u>	<u>21,207</u>	<u>419,426</u>	<u>69,341</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 149,408</u>	<u>\$ 172,905</u>	<u>\$ 23,104</u>	<u>\$ 793,613</u>	<u>\$ 76,992</u>

Special Revenue Funds

Court General	Court Technology	Records Modernization	Law Enforcement Education	Grants and Donations
\$ 500,412	\$ 345,075	\$ 164,134	\$ 427	\$ 8,596
-	-	-	-	-
-	-	-	-	-
4,688	-	-	406	-
971	-	-	21	-
10,864	-	-	-	-
4,753	-	40,516	-	-
<u>\$ 521,688</u>	<u>\$ 345,075</u>	<u>\$ 204,650</u>	<u>\$ 854</u>	<u>\$ 8,596</u>
\$ 33,317	\$ 412	\$ 192	\$ -	\$ -
-	-	-	-	-
240,541	6,185	-	428	-
247,830	-	-	-	-
-	-	-	-	-
<u>521,688</u>	<u>6,597</u>	<u>192</u>	<u>428</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	338,478	204,458	426	8,596
<u>-</u>	<u>338,478</u>	<u>204,458</u>	<u>426</u>	<u>8,596</u>
<u>\$ 521,688</u>	<u>\$ 345,075</u>	<u>\$ 204,650</u>	<u>\$ 854</u>	<u>\$ 8,596</u>

(Continued)

**FLAGLER COUNTY, FLORIDA
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Special Revenue Funds (Continued)</u>		<u>Debt Service Funds</u>	
	<u>Inmate Welfare</u>	<u>Total</u>	<u>Environmentally Sensitive Lands</u>	<u>Colbert Lane</u>
ASSETS				
Cash and cash equivalents	\$ 1,863	\$ 5,656,496	\$ 51,155	\$ 635,849
Cash with fiscal agent	-	-	-	-
Investments	-	6,581,556	416,374	1,122
Accounts receivable	-	18,985	-	-
Due from other funds	-	336,376	763	4,823
Due from other governments	-	919,481	-	-
Other assets	-	45,619	-	-
TOTAL ASSETS	<u>\$ 1,863</u>	<u>\$ 13,558,513</u>	<u>\$ 468,292</u>	<u>\$ 641,794</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	\$ 575,118	\$ 69	\$ 24
Deposits	-	146,322	-	-
Due to other funds	-	350,702	-	3
Due to other governments	-	310,646	-	-
Deferred revenue	-	381,561	-	-
TOTAL LIABILITIES	<u>-</u>	<u>1,764,349</u>	<u>69</u>	<u>27</u>
FUND BALANCES (DEFICIT)				
Reserved for growth impact	-	-	-	-
Reserved for inventory	-	-	-	-
Reserved for debt service	-	-	-	-
Reserved for capital outlay	-	-	-	-
Unreserved	-	-	-	-
Designated for future use	-	-	-	-
Designated for contingency	-	-	-	-
Unreserved-undesignated	1,863	11,794,164	468,223	641,767
TOTAL FUND BALANCES (DEFICIT)	<u>1,863</u>	<u>11,794,164</u>	<u>468,223</u>	<u>641,767</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 1,863</u>	<u>\$ 13,558,513</u>	<u>\$ 468,292</u>	<u>\$ 641,794</u>

Debt Service Funds (Continued)

Capital Projects Funds

Reserve Colbert Lane	ESL Bond Sinking	Capital Construction	Capital Construction GO Issue	Total	Beach Front Parks
\$ 532	\$ 31,164	\$ 107,005	\$ 68,351	\$ 894,056	\$ 26,140
-	-	1,931,235	-	1,931,235	-
569	811,613	2,651,095	3,065	3,883,838	1,313,324
-	-	-	-	-	-
-	733	-	2,847	9,166	-
-	-	107,662	-	107,662	12,131
-	-	-	-	-	-
<u>\$ 1,101</u>	<u>\$ 843,510</u>	<u>\$ 4,796,997</u>	<u>\$ 74,263</u>	<u>\$ 6,825,957</u>	<u>\$ 1,351,595</u>
\$ 53	\$ 124	\$ 603	\$ 16	\$ 889	\$ 12,317
-	-	-	-	-	-
-	-	-	-	3	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>53</u>	<u>124</u>	<u>603</u>	<u>16</u>	<u>892</u>	<u>12,317</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,048	843,386	4,796,394	74,247	6,825,065	1,339,278
<u>1,048</u>	<u>843,386</u>	<u>4,796,394</u>	<u>74,247</u>	<u>6,825,065</u>	<u>1,339,278</u>
<u>\$ 1,101</u>	<u>\$ 843,510</u>	<u>\$ 4,796,997</u>	<u>\$ 74,263</u>	<u>\$ 6,825,957</u>	<u>\$ 1,351,595</u>

(Continued)

**FLAGLER COUNTY, FLORIDA
 COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Capital Projects Funds (Continued)

	Park Maintenance Trust	Capital Projects	Total	Total NonMajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 92,909	\$ 459,111	\$ 578,160	\$ 7,128,712
Cash with fiscal agent	-	-	-	1,931,235
Investments	753,294	-	2,066,618	12,532,012
Accounts receivable	-	76,968	76,968	95,953
Due from other funds	-	-	-	345,542
Due from other governments	-	-	12,131	1,039,274
Other assets	-	-	-	45,619
TOTAL ASSETS	\$ 846,203	\$ 536,079	\$ 2,733,877	\$ 23,118,347
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 114	\$ 91,976	\$ 104,407	\$ 680,414
Deposits	-	-	-	146,322
Due to other funds	-	36,710	36,710	387,415
Due to other governments	-	88,978	88,978	399,624
Deferred revenue	-	76,968	76,968	458,529
TOTAL LIABILITIES	114	294,632	307,063	2,072,304
FUND BALANCES (DEFICIT)				
Reserved for growth impact	-	-	-	-
Reserved for inventory	-	-	-	-
Reserved for debt service	-	-	-	-
Reserved for capital outlay	-	-	-	-
Unreserved				
Designated for future use	-	-	-	-
Designated for contingency	-	-	-	-
Unreserved-undesignated	846,089	241,447	2,426,814	21,046,043
TOTAL FUND BALANCES (DEFICIT)	846,089	241,447	2,426,814	21,046,043
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 846,203	\$ 536,079	\$ 2,733,877	\$ 23,118,347

**FLAGLER COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Special Revenue Funds

	Fine and Forfeiture	County Transportation Trust	Legal Aid	Law Enforcement Trust
REVENUES				
Taxes	\$ -	\$ 772,852	\$ -	\$ -
Special assessments/Impact fees	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	788,944	-	-
Charges for services	-	858,336	-	-
Fines and Forfeiture	-	-	22,523	18,844
Miscellaneous	6,357	22,949	2,096	1,623
TOTAL REVENUES	6,357	2,443,081	24,619	20,467
EXPENDITURES				
Current				
General government	45	-	-	-
Public safety	-	-	-	23,667
Physical environment	-	-	-	-
Transportation	-	2,233,449	-	-
Economic environment	-	-	-	-
Human services	-	-	45,159	-
Culture and recreation	-	-	-	-
Court related	-	-	-	-
Debt service				
Principal retirement	-	92,648	-	-
Interest and fiscal charges	-	7,478	-	-
TOTAL EXPENDITURES	45	2,333,575	45,159	23,667
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	6,312	109,506	(20,540)	(3,200)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	110,100	21,014	-
Transfers out	-	(206,493)	-	-
Long term debt issued	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(96,393)	21,014	-
NET CHANGES IN FUND BALANCES	6,312	13,113	474	(3,200)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	28,104	680,379	49,990	46,930
FUND BALANCES (DEFICIT), END OF YEAR	\$ 34,416	\$ 693,492	\$ 50,464	\$ 43,730

Special Revenue Funds

Law Library	Court Facilities	Total Development Tax Capital	Tourist Development Tax Promotion	Tourist Development Tax Beach Restoration	Countywide Road Damage
\$ -	\$ -	\$ 279,755	\$ 512,884	\$ 139,877	\$ -
-	-	-	-	-	-
-	-	-	-	105,000	-
-	-	-	-	-	-
22,705	166,319	-	-	-	-
578	12,331	35,648	23,273	21,890	310
<u>23,283</u>	<u>178,650</u>	<u>315,403</u>	<u>536,157</u>	<u>266,767</u>	<u>310</u>
-	-	-	-	-	-
-	-	-	-	245,342	-
-	-	-	-	-	16
-	-	-	582,914	-	-
-	-	305,335	-	-	-
29,620	76,881	-	-	-	-
-	-	-	-	-	-
<u>29,620</u>	<u>76,881</u>	<u>305,335</u>	<u>582,914</u>	<u>245,342</u>	<u>16</u>
-	-	-	-	-	-
(6,337)	101,769	10,068	(46,757)	21,425	294
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(6,337)	101,769	10,068	(46,757)	21,425	294
21,930	315,862	1,091,863	784,005	738,208	10,063
<u>\$ 15,593</u>	<u>\$ 417,631</u>	<u>\$ 1,101,931</u>	<u>\$ 737,248</u>	<u>\$ 759,633</u>	<u>\$ 10,357</u>

(Continued)

**FLAGLER COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Special Revenue Funds (Continued)

	Environmentally Sensitive Lands	Utility Regulatory Authority	Government Services Bldg. Operations	Transportation Impact Fees West	Park Impact Fees
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments/Impact fees	-	-	-	104,380	18,496
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	-	341,649
Charges for services	-	-	-	-	-
Fines and Forfeiture	-	-	-	-	-
Miscellaneous	113,990	653	257,764	3,357	21,416
TOTAL REVENUES	113,990	653	257,764	107,737	381,561
EXPENDITURES					
Current					
General government	-	-	716,984	-	-
Public safety	-	-	-	-	-
Physical environment	4,058,772	34	-	-	-
Transportation	-	-	-	77	-
Economic environment	-	-	-	-	-
Human services	-	-	-	-	-
Culture and recreation	-	-	-	-	466,887
Court related	-	-	-	-	-
Debt service					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	3,105	-
TOTAL EXPENDITURES	4,058,772	34	716,984	3,182	466,887
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,944,782)	619	(459,220)	104,555	(85,326)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	511,599	-	-
Transfers out	-	-	-	-	-
Long term debt issued	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	511,599	-	-
NET CHANGES IN FUND BALANCES	(3,944,782)	619	52,379	104,555	(85,326)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	6,056,178	20,925	61,815	(80,618)	485,686
FUND BALANCES (DEFICIT), END OF YEAR	\$ 2,111,396	\$ 21,544	\$ 114,194	\$ 23,937	\$ 400,360

Special Revenue Funds

New Transportation Impact Fees East	Economic Development	CDBG FL Rock	State Housing Initiative	Bimini Gardens Municipal Service	Colbert Lane Settlement
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
261,676	-	-	-	5,787	-
-	-	-	-	-	-
35,521	-	-	826,802	-	-
-	-	-	-	-	-
16,847	27,103	-	74,223	408	1,793
<u>314,044</u>	<u>27,103</u>	<u>-</u>	<u>901,025</u>	<u>6,195</u>	<u>1,793</u>
-	-	-	-	177	-
-	-	-	-	-	-
38,994	-	-	-	4,151	13
-	140,085	-	1,324,976	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>38,994</u>	<u>140,085</u>	<u>-</u>	<u>1,324,976</u>	<u>4,328</u>	<u>13</u>
<u>275,050</u>	<u>(112,982)</u>	<u>-</u>	<u>(423,951)</u>	<u>1,867</u>	<u>1,780</u>
-	-	-	-	61	-
(80,005)	-	-	-	-	-
-	-	-	-	-	-
<u>(80,005)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61</u>	<u>-</u>
195,045	(112,982)	-	(423,951)	1,928	1,780
107,127	943,499	-	957,109	11,568	62,785
<u>\$ 302,172</u>	<u>\$ 830,517</u>	<u>\$ -</u>	<u>\$ 533,158</u>	<u>\$ 13,496</u>	<u>\$ 64,565</u>

(Continued)

**FLAGLER COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Special Revenue Funds (Continued)

	Espanola Mosquito Control	Rima Ridge Mosquito Control	Municipal Services	Building Department
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Special assessments/Impact fees	1,523	2,441	-	-
Licenses and permits	-	-	27,289	506,595
Intergovernmental	6,822	7,240	500,332	-
Charges for services	-	-	822,275	7,548
Fines and Forfeiture	-	-	255	1,760
Miscellaneous	222	395	17,758	46,355
TOTAL REVENUES	8,567	10,076	1,367,909	562,258
EXPENDITURES				
Current				
General government	-	-	1,046,726	-
Public safety	-	-	132,273	813,685
Physical environment	-	-	745	-
Transportation	-	-	597,886	-
Economic environment	-	-	-	-
Human services	7,061	7,508	44,592	-
Culture and recreation	-	-	-	-
Court related	-	-	-	-
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
TOTAL EXPENDITURES	7,061	7,508	1,822,222	813,685
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,506	2,568	(454,313)	(251,427)
OTHER FINANCING SOURCES (USES)				
Transfers in	13	26	25,009	-
Transfers out	-	-	-	-
Long term debt issued	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	13	26	25,009	-
NET CHANGES IN FUND BALANCES	1,519	2,594	(429,304)	(251,427)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	7,344	12,419	898,105	1,518,339
FUND BALANCES (DEFICIT), END OF YEAR	\$ 8,863	\$ 15,013	\$ 468,801	\$ 1,266,912

Special Revenue Funds

Mediation and Arbitration	Court Services	Domestic Violence	Alcohol and Other Drug Trust Fund	Court Technology	Juvenile Diversion
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
615	3	1,173	2,980	225,640	21,558
		200	241	13,645	2,212
<u>615</u>	<u>3</u>	<u>1,373</u>	<u>3,221</u>	<u>239,285</u>	<u>23,770</u>
-	-	7	-	64	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
32	-	-	4,964	114,688	36
-	-	-	-	-	-
-	-	-	-	-	-
<u>32</u>	<u>-</u>	<u>7</u>	<u>4,964</u>	<u>114,752</u>	<u>36</u>
583	3	1,366	(1,743)	124,533	23,734
-	28	-	-	-	-
-	-	(10,249)	-	-	(123,845)
-	-	-	-	-	-
-	28	(10,249)	-	-	(123,845)
583	31	(8,883)	(1,743)	124,533	(100,111)
19,971	(28)	8,973	7,071	205,895	113,142
<u>\$ 20,554</u>	<u>\$ 3</u>	<u>\$ 90</u>	<u>\$ 5,328</u>	<u>\$ 330,428</u>	<u>\$ 13,031</u>

(Continued)

**FLAGLER COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Special Revenue Funds (Continued)

	Crime Prevention	Court Innovations	Teen Court	E-911	Daytona North Service District
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 71,501
Special assessments/Impact fees	-	-	-	-	261,540
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	470,130	-
Charges for services	-	-	-	100	-
Fines and Forfeiture	32,529	22,365	36,195	-	-
Miscellaneous	4,165	3,824	514	19,750	3,244
TOTAL REVENUES	36,694	26,189	36,709	489,980	336,285
EXPENDITURES					
Current					
General government	150	-	-	-	36,279
Public safety	-	-	-	448,597	-
Physical environment	-	-	-	-	-
Transportation	-	-	-	-	298,601
Economic environment	-	-	-	-	-
Human services	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Court related	-	176	60,811	-	-
Debt service					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	388	-	-
TOTAL EXPENDITURES	150	176	61,199	448,597	334,880
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	36,544	26,013	(24,490)	41,383	1,405
OTHER FINANCING SOURCES (USES)					
Transfers in	-	70,358	56,735	-	2,772
Transfers out	-	-	-	-	-
Long term debt issued	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	70,358	56,735	-	2,772
NET CHANGES IN FUND BALANCES	36,544	96,371	32,245	41,383	4,177
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	112,490	76,107	(11,038)	378,043	65,164
FUND BALANCES (DEFICIT), END OF YEAR	\$ 149,034	\$ 172,478	\$ 21,207	\$ 419,426	\$ 69,341

Special Revenue Funds

Court General	Court Technology	Records Modernization	Law Enforcement Education	Grants and Donations
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
56,986	-	-	-	-
1,998,429	214,358	71,680	8,768	-
-	-	-	-	-
13,649	10,383	6,068	-	17,317
<u>2,069,064</u>	<u>224,741</u>	<u>77,748</u>	<u>8,768</u>	<u>17,317</u>
-	-	68,190	-	-
-	-	-	9,638	18,618
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
2,119,370	127,929	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>2,119,370</u>	<u>127,929</u>	<u>68,190</u>	<u>9,638</u>	<u>18,618</u>
(50,306)	96,812	9,558	(870)	(1,301)
200,000	-	-	-	-
(149,694)	-	-	-	-
-	-	-	-	-
<u>50,306</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	96,812	9,558	(870)	(1,301)
-	241,666	194,900	1,296	9,897
<u>\$ -</u>	<u>\$ 338,478</u>	<u>\$ 204,458</u>	<u>\$ 426</u>	<u>\$ 8,596</u>

(Continued)

**FLAGLER COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Special Revenue Funds (Continued)		Debt Service Funds		
	Inmate Welfare	Total	Environmentally Sensitive Lands	Colbert Lane	Reserve Colbert Lane
REVENUES					
Taxes	\$ -	\$ 1,776,869	\$ 536,462	\$ -	\$ -
Special assessments/Impact fees	-	655,843	-	397,355	-
Licenses and permits	-	533,884	-	-	-
Intergovernmental	-	3,139,426	-	-	-
Charges for services	-	3,981,494	-	-	-
Fines and Forfeiture	-	574,846	-	-	-
Miscellaneous	37,524	842,693	21,760	5,829	18,951
TOTAL REVENUES	37,524	11,505,055	558,222	403,184	18,951
EXPENDITURES					
Current					
General government	-	1,868,622	514	11,514	239
Public safety	50,951	1,497,429	-	-	-
Physical environment	-	4,304,893	-	-	-
Transportation	-	3,173,187	-	-	-
Economic environment	-	2,047,975	-	-	-
Human services	-	104,320	-	-	-
Culture and recreation	-	772,222	-	-	-
Court related	-	2,534,507	-	-	-
Debt service					
Principal retirement	-	92,648	545,000	310,000	-
Interest and fiscal charges	-	10,971	45,266	83,241	-
TOTAL EXPENDITURES	50,951	16,406,774	590,780	404,755	239
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(13,427)	(4,901,719)	(32,558)	(1,571)	18,712
OTHER FINANCING SOURCES (USES)					
Transfers in	-	997,715	-	608,382	-
Transfers out	-	(570,286)	-	-	(604,207)
Long term debt issued	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	427,429	-	608,382	(604,207)
NET CHANGES IN FUND BALANCES	(13,427)	(4,474,290)	(32,558)	606,811	(585,495)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	15,290	16,268,454	500,781	34,956	586,543
FUND BALANCES (DEFICIT), END OF YEAR	\$ 1,863	\$ 11,794,164	\$ 468,223	\$ 641,767	\$ 1,048

Debt Service Funds (Continued)

Capital Projects Funds

Debt Service Funds (Continued)				Capital Projects Funds	
ESL Bond Sinking	Capital Construction	Capital Construction GO Issue	Total	Environmental Land	Beach Front Parks
\$ 515,089	\$ 1,456,405	\$ 2,001,732	\$ 4,509,688	\$ -	\$ -
-	-	-	397,355	-	-
-	-	-	-	-	12,131
-	-	-	-	-	-
34,215	120,736	18,144	219,635	1,975	41,763
<u>549,304</u>	<u>1,577,141</u>	<u>2,019,876</u>	<u>5,126,678</u>	<u>1,975</u>	<u>53,894</u>
746	4,858	347	18,218	-	-
-	-	-	-	114,029	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	14,105
-	-	-	-	-	-
485,000	1,200,000	630,000	3,170,000	-	-
188,344	1,413,470	1,351,778	3,082,099	-	-
<u>674,090</u>	<u>2,618,328</u>	<u>1,982,125</u>	<u>6,270,317</u>	<u>114,029</u>	<u>14,105</u>
<u>(124,786)</u>	<u>(1,041,187)</u>	<u>37,751</u>	<u>(1,143,639)</u>	<u>(112,054)</u>	<u>39,789</u>
-	1,031,060	-	1,639,442	-	-
-	-	-	(604,207)	-	-
-	-	-	-	-	-
<u>-</u>	<u>1,031,060</u>	<u>-</u>	<u>1,035,235</u>	<u>-</u>	<u>-</u>
(124,786)	(10,127)	37,751	(108,404)	(112,054)	39,789
968,172	4,806,521	36,496	6,933,469	112,504	1,299,489
<u>\$ 843,386</u>	<u>4,796,394</u>	<u>\$ 74,247</u>	<u>\$ 6,825,065</u>	<u>\$ -</u>	<u>\$ 1,339,278</u>

(Continued)

**FLAGLER COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Capital Projects Funds (Continued)

	Park Maintenance Trust	Capital Projects	Total	Total NonMajor Governmental Funds
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 6,286,557
Special assessments/Impact fees	-	-	-	1,053,198
Licenses and permits	-	-	-	533,884
Intergovernmental	-	-	12,131	3,151,557
Charges for services	-	-	-	3,981,494
Fines and Forfeiture	-	-	-	574,846
Miscellaneous	26,220	66,916	136,874	1,199,201
TOTAL REVENUES	26,220	66,916	149,005	16,780,737
EXPENDITURES				
Current				
General government	515	193,526	194,041	2,080,881
Public safety	-	869	869	1,498,298
Physical environment	-	-	114,029	4,418,922
Transportation	-	-	-	3,173,187
Economic environment	-	-	-	2,047,975
Human services	-	-	-	104,320
Culture and recreation	415	2,112,041	2,126,561	2,898,783
Court related	-	-	-	2,534,507
Debt service				
Principal retirement	-	-	-	3,262,648
Interest and fiscal charges	-	-	-	3,093,070
TOTAL EXPENDITURES	930	2,306,436	2,435,500	25,112,591
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	25,290	(2,239,520)	(2,286,495)	(8,331,854)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	2,637,157
Transfers out	-	-	-	(1,174,492)
Long term debt issued	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	1,462,665
NET CHANGES IN FUND BALANCES	25,290	(2,239,520)	(2,286,495)	(6,869,189)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	820,799	2,480,967	4,713,309	27,915,232
FUND BALANCES (DEFICIT), END OF YEAR	\$ 846,089	\$ 241,447	\$ 2,426,814	\$ 21,046,043

**FLAGLER COUNTY, FLORIDA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
SEPTEMBER 30, 2008**

	<u>NonMajor Proprietary Funds</u>		
	<u>Transportation</u>	<u>Waste Management</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and equivalents	\$ 108,774	\$ 77,377	\$ 186,151
Investments	-	404,705	404,705
Accounts receivable, net	60	4,325	4,385
Due from other funds	592,670	14,962	607,632
Due from other governments	145,653	-	145,653
Other current assets	48	-	48
Total Current Assets	<u>847,205</u>	<u>501,369</u>	<u>1,348,574</u>
Non Current Assets			
Land and construction in progress	9,893	-	9,893
Other capital assets, net of accumulated depreciation	678,766	1,733	680,499
Total Non Current Assets	<u>688,659</u>	<u>1,733</u>	<u>690,392</u>
 TOTAL ASSETS	 <u>\$ 1,535,864</u>	 <u>\$ 503,102</u>	 <u>\$ 2,038,966</u>
 LIABILITIES			
Current Liabilities			
Accounts payable	\$ 5,058	\$ 104,713	\$ 109,771
Due to other funds	27,454	296	27,750
Due to other governments	603	-	603
Deferred revenue	9,437	-	9,437
Compensated absences	20,527	-	20,527
OPEB liability	4,184	-	4,184
Total Current Liabilities	<u>67,263</u>	<u>105,009</u>	<u>172,272</u>
Non Current Liabilities			
Advances from other funds	439,851	-	439,851
TOTAL LIABILITIES	<u>507,114</u>	<u>105,009</u>	<u>612,123</u>
 NET ASSETS			
Invested in capital assets, net of related debt	688,659	1,733	690,392
Unrestricted	340,091	396,360	736,451
TOTAL NET ASSETS	<u>1,028,750</u>	<u>398,093</u>	<u>1,426,843</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,535,864</u>	 <u>\$ 503,102</u>	 <u>\$ 2,038,966</u>

**FLAGLER COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>NonMajor Proprietary Funds</u>		
	<u>Transportation</u>	<u>Waste Management</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 601,489	\$ 1,493,526	\$ 2,095,015
Miscellaneous	13,863	-	13,863
Total Operating Revenues	<u>615,352</u>	<u>1,493,526</u>	<u>2,108,878</u>
OPERATING EXPENSES			
Personal services	893,724	-	893,724
Vehicle fuel	222,280	-	222,280
Contractual services	2,704	1,344,821	1,347,525
Repairs and maintenance	91,791	-	91,791
Professional services	5,747	366	6,113
Utilities	5,264	-	5,264
Insurance	21,482	-	21,482
Rentals and leases	33,000	-	33,000
Depreciation	202,520	667	203,187
Miscellaneous	14,941	3,444	18,385
Total Operating Expenses	<u>1,493,453</u>	<u>1,349,298</u>	<u>2,842,751</u>
Operating Loss / Income	(878,101)	144,228	(733,873)
NON OPERATING REVENUES (EXPENSES)			
Intergovernmental	504,481	-	504,481
Franchise fees	-	120,498	120,498
Interest income	4,287	20,287	24,574
Interest expense	(12,686)	-	(12,686)
Total Non Operating Revenue (Expenses)	<u>496,082</u>	<u>140,785</u>	<u>636,867</u>
Income (loss) before contributions and transfers	(382,019)	285,013	(97,006)
Capital contributions	101,990	-	101,990
Transfers in, other funds	756,492	13,367	769,859
Change in net assets	476,463	298,380	774,843
NET ASSETS, BEGINNING OF YEAR	<u>552,287</u>	<u>99,713</u>	<u>652,000</u>
NET ASSETS, END OF YEAR	<u>\$ 1,028,750</u>	<u>\$ 398,093</u>	<u>\$ 1,426,843</u>

**FLAGLER COUNTY, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Transportation</u>	<u>Waste Management</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 595,980	\$ 1,651,235	\$ 2,247,215
Payments to suppliers	(419,209)	(1,363,925)	(1,783,134)
Payments to employees	(895,672)	(43)	(895,715)
Other receipts	13,863	-	13,863
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(705,038)</u>	<u>287,267</u>	<u>(417,771)</u>
NON CAPITAL FINANCING ACTIVITIES			
Franchise Fees	-	120,499	120,499
Increase (decrease) in due from other funds	(471,291)	(14,907)	(486,198)
Increase (decrease) in due to other funds	(8,938)	(14,210)	(23,148)
Operating transfers in	756,492	13,368	769,860
NET CASH PROVIDED BY NON CAPITAL FINANCING ACTIVITIES	<u>276,263</u>	<u>104,750</u>	<u>381,013</u>
CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(106,374)	(2,400)	(108,774)
Intergovernmental	504,481	-	504,481
Interest expense	(12,686)	-	(12,686)
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>385,421</u>	<u>(2,400)</u>	<u>383,021</u>
INVESTING ACTIVITIES			
Interest on investments	4,287	20,286	24,573
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>4,287</u>	<u>20,286</u>	<u>24,573</u>
NET INCREASE IN CASH AND EQUIVALENTS	(39,067)	409,903	370,836
Cash and equivalents, beginning of year	147,841	72,179	220,020
Cash and equivalents, end of year	<u>\$ 108,774</u>	<u>\$ 482,082</u>	<u>\$ 590,856</u>
CASH AND EQUIVALENTS, END OF YEAR			
Unrestricted	\$ 108,774	\$ 77,377	\$ 186,151
Restricted	-	-	-
Investments – unrestricted	-	404,705	404,705
	<u>\$ 108,774</u>	<u>\$ 482,082</u>	<u>\$ 590,856</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (878,101)	\$ 144,228	\$ (733,873)
Adjustment to reconcile operating loss to net cash used in operations			
Depreciation	202,520	667	203,187
Changes in assets and liabilities:			
Accounts receivable	1,095	157,709	158,804
Prepaid expenses	(48)	-	(48)
Due from other governments	(6,604)	-	(6,604)
Accounts payable and accrued expenses	(31,597)	(15,294)	(46,891)
Deferred revenue	9,437	-	9,437
Due to other governments	208	-	208
Compensated absences	(6,132)	(43)	(6,175)
OPEB liability	4,184	-	4,184
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (705,038)</u>	<u>\$ 287,267</u>	<u>\$ (417,771)</u>

**FLAGLER COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

FEDERAL/STATE AGENCY/ PASS-THROUGH ENTITY FEDERAL PROGRAM/ STATE PROJECT TITLE	CFDA/CFSA NUMBER	CONTRACT/ GRANT NUMBER	PROGRAM/ PROJECT AWARDS	PROGRAM/ PROJECT EXPENDITURES
FEDERAL AWARDS				
Department of Justice- Office of Justice Programs Bureau of Justice Assistance				
Drug Court Discretionary Grant Program Flagler County Drug Court Program	16.585	2006-DC-BX-0004	\$ 250,000	\$ 107,862
Federal Transit Administration Passed Through the Department of Transportation				
Section 5310 Capital Projects	20.513	TD0473	72,000	49,280
Department of Health and Human Services Passed Through the Northeast Florida Agency on Aging				
Older Americans Act Title III B	93.044	A007FCBCC	102,943	6,772
Older Americans Act Title III B	93.044	A008FCBCC	96,460	63,955
Older Americans Act Title III C1	93.045	A007FCBCC	91,052	12,421
Older Americans Act Title III C1	93.045	A008FCBCC	92,884	52,183
Older Americans Act Title III C2	93.045	A007FCBCC	52,356	8,376
Older Americans Act Title III C2	93.045	A008FCBCC	73,960	45,525
Emergency Home Energy Assistance	93.568	P007FCBCC	8,316	5,690
Emergency Home Energy Assistance	93.568	P008FCBCC	8,156	3,142
Older Americans Act Title III E	93.052	A007FCBCC	33,946	1,988
Older Americans Act Title III E	93.052	A008FCBCC	30,058	27,373
Passed Through the Florida Department of Revenue				
Title IV-D Child Support	93.563	CD318	79,396	56,986
United States Department of Agriculture				
Urban and Community Forestry Grant	10.664	FDACS013101	2,500	2,500
Passed Through the Northeast Florida Agency on Aging				
Nutrition Services Incentive Program	10.570	U008FCBCC	30,882	20,344
United States Federal Emergency Management Agency				
Passed Through the State of Florida Department of Community Affairs				
EMPA Base Grant	97.042	08BG-04-04-28-01-267	26,622	26,120
FEMA – FMA 2687 – Deland Fire Complex	N/A	ZS068	435,429	435,429
FEMA - FMA 2765 - Brevard County Fire	N/A	0910F	23,593	23,593
FEMA – Tropical Storm Fay	N/A	Unknown	105,102	105,102

(Continued)

**FLAGLER COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

FEDERAL/STATE AGENCY/ PASS-THROUGH ENTITY FEDERAL PROGRAM/ STATE PROJECT TITLE	CFDA/CFSA NUMBER	CONTRACT/ GRANT NUMBER	PROGRAM/ PROJECT AWARDS	PROGRAM/ PROJECT EXPENDITURES
United States Department of Transportation				
Federal Aviation Administration				
Environmental Assessment-				
Runaway 11/29				
Relocation, Apron Area for Additional				
Tie-downs and Partial Construction				
of Taxiway H				
	20.106	3-12-0009-11-2007	\$ 332,438	\$ 238,038
Extension and Rehabilitation of Taxiway E				
	20.106	3-12-0009-12-2007	86,500	-
 United States Department of Homeland Security				
Passed Through the Florida Division				
of Emergency Management				
 State Homeland Security				
	97.067	07-DS-5N-04-28-01364	55,150	414
State Homeland Security				
	97.067	08-DS-60-04-28-01362	25,410	25,410
Community Emergency Response Team				
Training				
	97.067	08-CI-64-04-28-01-084	6,000	6,000
 United States Department of Fish and Wildlife				
Passed Through the Florida				
Fish and Wildlife Conservation				
Commission				
 Artificial Reef				
	15.605	FWC07013	60,000	60,000
 United States Department of Transportation				
Passed Through the Florida				
Department of Transportation				
 Strategies to Reduce Youth Drunk				
and Drugged Driving				
	20.605	CP-08-04-12	2,000	873
 United States Bureau of Justice Assistance				
COPS Grant Program				
	16.710	2005-CK-WX-0512	236,858	50,927
Bulletproof Vests				
	16.607	2007	10,448	10,448
Bureau of Justice Assistance				
	16.738	2007-DJ-BX-0840	16,298	7,720
 Passed Through the Florida				
Department of Law Enforcement				
 Project Safe Neighborhoods				
	16.609	2008-PMAG-FLAG-1-	91,449	27,763
	16.579	R6-009		
Edward Byrne Formula Grant Program				
		2008-JAGC-FLAG-1-	69,367	43,504
		Q9-041		
 Passed Through the Florida				
Office of the Attorney General				
 Victims of Crime Act				
	16.575	V7043	73,005	73,005

(Continued)

**FLAGLER COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

FEDERAL/STATE AGENCY/ PASS-THROUGH ENTITY FEDERAL PROGRAM/ STATE PROJECT TITLE	CFDA/CFSA NUMBER	CONTRACT/ GRANT NUMBER	PROGRAM/ PROJECT AWARDS	PROGRAM/ PROJECT EXPENDITURES
Federal Highway Administration				
Passed Through the Florida Department of Transportation				
LAP Construction of Lehigh Trails	20.205	AOT16;410769-1-58-01	\$ 1,548,000	\$ 976,257
CR 305 Bridges	20.205	AOW79;407463-1-5801 AO144;413409-2-58-01 & 413410-2-58-01	6,125,570	2,122,464
Scenic Byways Phase II	20.205		887,738	341,648
JPA Interchange Justification Report for I-95 & Matanzas Woods Overpass	20.205	AOY21;411959-2-18-01	279,800	9,630
Operating Assistance 5311	20.509	ANK62;416471-1-84-26	244,722	214,825
Operating Assistance 5309	20.500	FL 03-0303-00	293,500	3,500
General Services Administration				
Passed Through Florida Department of State				
Voter Education	90.401	2007	9,138	8,048
Voter Education	90.401	2008	9,524	5,890
Poll Worker Recruitment and Training	90.401	2006	13,707	5,515
Poll Worker Recruitment and Training	90.401	2007	5,438	5,438
Poll Worker Recruitment and Training	90.401	2008	5,377	3,336
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 12,103,092	\$ 5,295,294

(Continued)

**FLAGLER COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

FEDERAL/STATE AGENCY/ PASS-THROUGH ENTITY FEDERAL PROGRAM/ STATE PROJECT TITLE	CFDA/CFSA NUMBER	CONTRACT/ GRANT NUMBER	PROGRAM/ PROJECT AWARDS	PROGRAM/ PROJECT EXPENDITURES
STATE AWARDS				
Florida Department of Transportation				
Construction of Air Traffic Control Phase II	55.004	AP719;40492029041	\$ 2,400,000	\$ 6,400
Air Traffic Control Tower Phase I Design	55.004	AO537;404920-1-94-01	193,472	67,523
Environmental Assessment for Near Term Capital Improvement Projects and Air Traffic Control Tower	N/A	AOV22;40496719401	8,750	5,787
T-Hangar Construction	55.004	AP432;41851619401	769,600	49,693
Florida Commission for the Transportation Disadvantaged				
Trip and Equipment	55.001	AP632;24852018401 & 24852038401	192,180	39,032
Trip and Equipment	55.001	AOT53;24852018401- 24852038401	190,628	146,227
Rural Capital Equipment Support	55.001	AOS93;41065618401	51,618	51,618
Department of Elder Affairs				
Passed Through the Northeast Florida Agency on Aging				
Home and Community Based Medicaid Waiver	N/A	S008FCBCC	326,261	55,797
Community Care for the Elderly	65.010	C007FCBCC	146,732	98,276
Community Care for the Elderly	65.010	C008FCBCC	119,005	48,258
Home Care for the Elderly	65.001	H007FCBCC	12,625	407
Home Care for the Elderly	65.001	H008FCBCC	10,875	42
Alzheimer's Disease Initiative - Respite Service	65.004	Z007FCBCC	55,791	37,032
Alzheimer's Disease Initiative - Respite Service	65.004	Z008FCBCC	50,713	19,841
Department of Children and Families				
Volusia/Flagler Coalition for the Homeless, Inc. - Emergency Shelter Program	60.021	FCHS2008	4,142	4,142
Flagler County Criminal Justice, Mental Health & Substance Abuse Reinvestment Grant	60.115	MOU#LHZ18	40,447	14,506
Department of Agriculture and Consumer Services				
Mosquito Control Program	42.003	011678	37,000	14,062
Department of Community Affairs				
Update Hazardous Materials	52.023	07CP-11-04-28-01-022	2,094	104
Update Hazardous Materials	52.023	08CP-04-04-28-01-048	2,337	2,337
EMPA Base Grant 04/05 SLA Grant	52.008	08BG-24-04-28-01-267	95,842	95,842
E-911 Local Update of Census Addresses	52.038	08-DD-J3-04-28-01-006	3,982	2,684
Department of Health				
Emergency Management Grant	64.005	C6018	21,450	585
Emergency Management Grant	64.005	C7018	23,689	23,689

(Continued)

**FLAGLER COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

FEDERAL/STATE AGENCY/ PASS-THROUGH ENTITY FEDERAL PROGRAM/ STATE PROJECT TITLE	CFDA/CFSA NUMBER	CONTRACT/ GRANT NUMBER	PROGRAM/ PROJECT AWARDS	PROGRAM/ PROJECT EXPENDITURES
Division of Historical Resources				
Mala Compra Plantation Site-Phase III	45.032	SC622	\$ 226,479	\$ 134,202
Storybook Life: Interpreting the Princess Place Lodge	45.017	08-7571	24,445	-
Division of Library and Information Systems				
State Aid to Libraries	45.030	08-ST-14	37,060	37,060
Department of Environmental Protection				
Small County Consolidated Grant	37.012	SC807	277,316	277,316
Old Dixie Community Park	37.017	F50022	200,000	19,570
Beach Restoration Project	37.003	04FL1	105,000	105,000
Office of Tourism, Trade & Economic Development				
Rural Infrastructure Grant – Resurfacing & Widening of Roberts Road	31.002	OT07-018	236,813	103,684
Economic Development Transportation Fund – Extension of Roberts Road	31.002	OT06-171	1,542,311	262,121
Department of Law Enforcement				
Violent Crime Grant	71.004	DC-07/08-25	10,000	10,000
Florida Housing Finance Corporation				
State Housing Initiatives Partnership Program	52.901	N/A	1,261,002	1,261,002
			<u>\$ 8,679,659</u>	<u>\$ 2,993,839</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			<u>\$ 20,792,751</u>	<u>\$ 8,289,133</u>

**FLAGLER COUNTY, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

(1) Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance includes the Federal and State award activity of Flagler County, Florida and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and Section 215.97, Florida Statutes, *Florida Single Audit Act*.

(2) Transfers to Subrecipients:

During the year ended September 30, 2008, there were no transfers of Federal or State Funds to subrecipients outside Flagler County, Florida.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133 AND WITH THE EOG STATE
PROJECTS COMPLIANCE SUPPLEMENT**



Board of County Commissioners
Flagler County, Florida

Compliance

8035 Spyglass Hill Road
Melbourne, FL 32940
321.757.2020
FAX 321.242.4844

480 N. Orlando Ave.
Suite 218
Winter Park, FL 32789
407.644.5811
FAX 407.644.6022

301 Clematis Street
Suite 3000
W. Palm Beach, FL 33401
561-837-6627
FAX 561-837-6632

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We have audited the compliance of Flagler County, Florida, 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 State of Florida's *Executive Office of the Governor's (EOG) State Projects Compliance Supplement* that are applicable to each of its major federal programs and state projects for the year ended September 30, 2008. Flagler County, Florida'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 each of its major federal programs and state projects is the responsibility of Flagler County, Florida's management. Our responsibility is to express an opinion on Flagler County, Florida'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, State of Florida. 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 or state project occurred.

An audit includes examining, on a test basis, evidence about Flagler County, Florida'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 on Flagler County, Florida's compliance with those requirements.

In our opinion, Flagler County, Florida complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended September 30, 2008.

Internal Control Over Compliance

The management of Flagler County, Florida is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered Flagler County, Florida's internal control over compliance with the requirements that could have a direct and material effect on a major federal program or state projects in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Flagler County, Florida's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program and state project on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program and state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program and state project that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program and state project will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

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

May 13, 2009
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

**FLAGLER COUNTY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2008**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

- | | |
|--|-------------|
| 1. Type of auditors' report issued: | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weakness(es)? | No |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|-------------|
| 1. Type of auditors' report issued on compliance for major programs: | Unqualified |
| 2. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weakness(es)? | No |
| 3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | No |
| 4. Dollar threshold used to distinguish between type A and type B Programs | \$300,000 |
| 5. Auditee qualified as a low-risk auditee? | Yes |

Identification of major programs Federal:

<u>CFDA Number</u>	<u>Name of Program</u>
20.205	Department of Transportation Highway Planning and Construction
97.046	Department of Homeland Security Fire Management Assistance Grant

**FLAGLER COUNTY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2008**

SECTION I - SUMMARY OF AUDITORS' RESULTS (continued)

State Financial Assistance

- | | |
|--|-------------|
| 1. Type of auditors' report issued on compliance for major projects: | Unqualified |
| 2. Internal control over major projects: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weakness(es)? | No |
| 3. Any audit findings disclosed that are required to be reported under Rule 10.557? | No |
| 4. Dollar threshold used to distinguish between type A and type B Projects | \$300,000 |

Identification of major projects:

<u>CSFA Number</u>	<u>Name of Project</u>
31.002	Executive Office of the Governor Economic Development Transportation Fund
52.901	Florida Housing Finance Corporation State Housing Initiatives Partnership Program

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS AND STATE PROJECTS

None reported.

SECTION IV - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None reported.

**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**

Board of County Commissioners
Flagler County, Florida



8035 Spyglass Hill Road
Melbourne, FL 32940
321.757.2020
FAX 321.242.4844

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Flagler County, Florida as of and for the year ended September 30, 2008, which collectively comprise Flagler County, Florida's basic financial statements and have issued our report thereon dated May 13, 2009. 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

480 N. Orlando Ave.
Suite 218
Winter Park, FL 32789
407.644.5811
FAX 407.644.6022

In planning and performing our audit, we considered Flagler County, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Flagler County, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Flagler County's internal control over financial reporting.

301 Clematis Street
Suite 3000
W. Palm Beach, FL 33401
561-837-6627
FAX 561-837-6632

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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A control deficiency 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 misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Flagler County, Florida's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be 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 Flagler County, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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*.

We noted certain matters that we reported to management of Flagler County, Florida in a separate letter dated May 13, 2009.

Flagler County's response to the finding identified in our audit is described in a separate letter. We did not audit Flagler County's response and, accordingly, we express no opinion on it.

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

May 13, 2009
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

MANAGEMENT LETTER

Board of County Commissioners
Flagler County, Florida

We have audited the financial statements of the Flagler County, Florida, as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated May 13, 2009.



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 Internal Control over Financial Reporting and on Compliance and Other Matters, Report on Compliance with Requirements Applicable to each Major Federal Program and State Project and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated May 13, 2009, should be considered in conjunction with this management letter.

8035 Spyglass Hill Road
Melbourne, FL 32940
321.757.2020
FAX 321.242.4844

480 N. Orlando Ave.
Suite 218
Winter Park, FL 32789
407.644.5811
FAX 407.644.6022

301 Clematis Street
Suite 3000
W. Palm Beach, FL 33401
561-837-6627
FAX 561-837-6632

www.bermanhopkins.com

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls or schedule of findings and question costs, this letter is required to include the following information. As required by the Rules of the auditor General, we have performed separate audits of each of Flagler County's constitutional officers. The comments included in those separately issued reports should be considered in conjunction with this management letter.

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report as noted in the attachment to this letter "Management Recommendations."

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include 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 Flagler County, Florida complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, such matters are noted in the attachment to this letter "Management Recommendations."

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material, but, more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., *Rules of the Auditor General*, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.

The *Rules of the Auditor General* (Section 10.554(1)(i)6.) 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 County was established by Chapter 7 of the Florida Statutes. There were no component units related to the County at September 30, 2008.

Section 10.554(1)(i)7.a., *Rules of the Auditor General*, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Flagler County, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)7.b., *Rules of the Auditor General*, requires that we determine whether the annual financial report for the Flagler County, Florida for the fiscal year ended September 30, 2008, filed with the Florida Department of Financial Services 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, 2008. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), *Rules of the Auditor General*, we applied financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity'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.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America requires us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

May 13, 2009
Melbourne, Florida

*Berman Hopkins Wright & LaHam
CPAs and Associates, LLP*

**FLAGLER COUNTY, FLORIDA
MANAGEMENT RECOMMENDATIONS
SEPTEMBER 30, 2008**

Prior Year Comments

07-01 Purchasing and Cash Disbursement Procedures and Policies

Criteria: Purchasing and cash disbursement procedures are vital to ensuring that expenditures of the County are valid and authorized. The flow of purchasing transactions according to Flagler's policy should be as follows:

When a need for a commodity or service is identified by County departments, a requisition form must be submitted to the Purchasing Department. Upon receipt comparative quotes or bids must be obtained accordingly:

- Competitive verbal quotes are required for commodities and services costing \$750 to \$1,500.
- Competitive written quotes must be obtained for commodities and services costing \$1,500 to \$25,000.
- Competitive sealed bids are required when the services are greater than \$25,000.

Once the quotes or bids are obtained, authorized personnel must approve the purchase. The Purchasing Manager may award contracts to vendors for less than \$10,000. The County Administrator may award contracts to vendors for less than \$25,000. When the total contract is greater than \$25,000, the Board of County Commissioners must award the contract.

Upon receipt of the commodity or service, the appropriate department personnel must approve the invoice and submit the invoice to the accounting department for payment. The accounting department must examine the invoice for proper approval, compare the information against the related purchase order, and ensure the purchase is recorded in the appropriate general ledger account. The Board then approves the related warrant.

Condition: During our audit, we traced a haphazard selection of 13 non-capital project invoices through the purchasing and disbursement process. Of this sample, we noted that 1 was not processed against an established purchase order, 1 was processed after the closing of the purchase order and finally 1 was processed before a change order was established in the system.

The county administrator's office also brought to our attention that for one of the major construction projects performed during the current year over 200 invoices were approved for payment by a county employee, who in their opinion, was not given formal authorization by the Board or its management. The Board of County Commissioner's personnel stated that they were not aware of the approvals as these purchases were approved by an employee not under their review. To substantiate the authorization, accounting department personnel referenced an email from the former county administrator to the engineering department establishing an individual as the representative of this project and personnel action form signed by County management. This communication is open to interpretation. Based on our examination of these invoices, they do not appear to be improper expenditures.

**FLAGLER COUNTY, FLORIDA
MANAGEMENT RECOMMENDATIONS
SEPTEMBER 30, 2008**

Finally, upon inquiry of management it was noted that although the Board of County Commissioners approves the expenditures of the County, the information provided in the agenda packages did not provide the details of the disbursements although this information was available upon request or at the Board meetings.

Cause: The County did not follow its established procedures and policies.

Effect: Although the sample of disbursements examined appeared to be proper expenditures of the County, by not following the purchasing and disbursement policies, invalid expenditures could be paid.

Recommendation: We recommend that the County ensure that all steps of the current policies and procedures are followed and documented. Additionally, the County should establish monitoring procedures to ensure that the policies are being adhered. Finally, we recommend that the Board of County Commissioners receive detailed information of all disbursements in the agenda packages.

Status: The County has addressed the above comments.

07-02 Owner Direct Purchases

Criteria: As a tax exempt entity, the County has the capability to create a savings on material/equipment required for construction projects when it purchases directly from the manufacturer/supplier. This process is referred to as Owner Direct Purchases and allows the County to save on sales tax. A formal policy regarding the use of Owner Direct Purchases allows a County to avoid questioning on how these purchases relate to the County's own purchasing process.

Condition: During the year, the County used owner direct purchases for several large construction projects. For these purchases, there was no set policies establishing if these purchases needed further documentation to be in compliance with the purchasing process. In the related expenditures that were examined, we did not note any instances where inappropriate expenditures were incurred.

Cause: The County does not have a formal written process regarding Owner Direct Purchases.

Effect: If the County had established a formal written owner direct purchase policy it would ensure that these purchases coincide with the County's regular purchases.

Recommendation: We recommend that the County establish a formal written policy regarding the use and procedures regarding owner direct purchases.

Status: The County has addressed the above comment.

07-03 Internal Billings

Criteria: Often one department of the County will perform services for another department. When the service has been performed, the servicing department will bill the

**FLAGLER COUNTY, FLORIDA
MANAGEMENT RECOMMENDATIONS
SEPTEMBER 30, 2008**

other department for the hours/items that were used. The receiving department will approve the invoice and then have the service paid.

Condition: Currently when internal services are performed, the servicing department will establish one invoice for several departments and send the bill to accounting to be paid. The invoices are not required to be sent to the respective departments for approval. Of the 23 capital projects internal billing transactions we examined 22 were sent to the respective departments for review and approval.

Cause: There is not a formal written policy established regarding the approval of internal billings.

Effect: Although not in violation of any policy by not having the respective departments approve the internal billings invalid expenditures could be paid.

Recommendation: We recommend that the County establish a formal written policy regarding the use of internal billings, to include the approval of the respective departments.

Status: The County has addressed the above comment.

07-04 Commission Minutes

Criteria: Pursuant to Section 286.011(2), Florida Statutes, the minutes of the County Commission meetings are required to be promptly recorded and open to public inspection. To ensure that minutes accurately reflect all action and proceedings of the Commission, the minutes of each meeting should be reviewed, corrected if necessary, and approved at a subsequent Commission meeting, signed by the appropriate County official(s) and bound in the minutes book. Section 286.011(2), Florida Statutes, does not specify a time period within which minutes should be approved and the Board does not have an established timeline for Board approval.

Condition: During the audit period, while it was noted that unofficial results of the meetings and draft minutes were available for public inspection, several of the official and approved minutes were not available until 91 to 197 days after the meeting. This was a result of the Board of Commissioners not receiving the draft minutes in a prompt manner.

The Commission generally held two regular meetings per month and occasional special meetings and workshops. We determined that 48 regular and special Commission meetings were held during our audit period. Our review of the County's minutes disclosed that for 34 meetings, held from October 1, 2006, through September 30, 2007, minutes were not timely approved, ranging from 91 to 197 days after the meeting was held, due to the timing of the receipt and return of the draft minutes.

Cause: There is no established County policy which established a timeframe for draft minutes submission to the Board and their approval thus establishing a standard.

**FLAGLER COUNTY, FLORIDA
MANAGEMENT RECOMMENDATIONS
SEPTEMBER 30, 2008**

Effect: Although unofficial results are available for review in a prompt manner, these records may not reflect accurate information.

Recommendation: We recommend the Board establish a timeline for presentation of draft minutes and Board approval, thereby establishing a standard.

Status: The County has addressed the above comment.

Current Year Comments

08-01 Receivables and Revenues

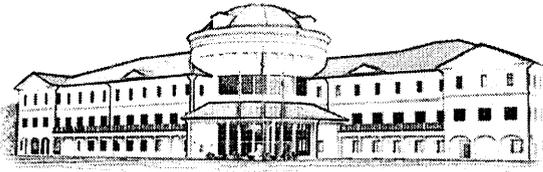
Criteria: Allowances for doubtful accounts should be established for receivables that management does not expect to collect. Additionally, it is the County's responsibility to ensure that proper controls are in place in regards to the billings and collections of receivables.

Condition: During the audit, it was noted that a receivable balance for the waste utility fund consisted of receivables greater than 90 days; however no allowance was established to offset these receivable balances. As a result, an audit adjustment for approximately \$120,000 was required to establish the allowance.

Additionally, the County utilizes a third party service organization for the billing and collection of emergency service receipts. As a result, the County should ensure that proper controls are in place to monitor the activity of the third party. Upon inquiry of the department, it was noted that additional controls were not in place. As a result, the County does not know if the third party may not be billing for all charges or if all funds billed are deposited in to the County's account.

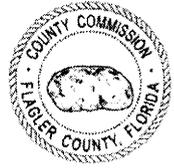
Cause: The County does not have a policy and/or procedure for establishing allowances for doubtful accounts or to monitor its third party service organizations.

Recommendation: We recommend that the management of the County establish procedures to review all receivable balances for collectability and establish allowances for doubtful accounts if necessary. Additionally, we recommend that the management of the County establish monitoring policies/procedures in regards to their third party service organizations.



Flagler County

Board of County Commissioners



1769 East Moody Boulevard • Bunnell, Florida 32110 • (386) 313-4000 • fax: (386) 313-4100 • www.FlaglerCounty.org

August 5, 2009

Mr. David W. Martin, CPA
Auditor General
State of Florida
Post Office Box 1735
Tallahassee, Florida 32302

Dear Mr. Martin:

Thank you for the opportunity to respond to the recommendations made by our independent auditors, Berman, Hopkins, Wright & LaHam, CPAs and Associates, LLP, in connection with their audit of the Flagler County Board of County Commissioners for the fiscal year ending September 30, 2008. This response is offered pursuant to the provisions of Section 218.39(6), Florida Statutes which provide for "The officer's written statement of explanation or rebuttal concerning the auditor's findings, including corrective action to be taken". In order to make the process more efficient, I will begin by restating the recommendation in full, followed by our response.

**Audit
Report
Finding
Number**

08-01

Receivables and Revenues

Recommendation: We recommend that the management of the County establish procedures to review all receivable balances for collectability and establish allowances for doubtful accounts if necessary. Additionally, we recommend that the management of the County establish monitoring policies/procedures in regards to their third party service organizations.

Response: This multi-faceted recommendation resulted from two distinctly different events which occurred during the audit fieldwork. First, during the course of their fieldwork, our auditors recognized that the receivables balance in the Waste Management (Universal Solid Waste Collection) Fund, contained a significant portion of stale dated accounts. Because our auditors (correctly, we believe) questioned the collectability of these amounts, they recommended that a journal entry be recorded by the Board's Accountant (The Clerk of the Circuit Court). It is our understanding that in those instances where the external auditors recommend an adjusting entry to the entity, the external auditor has no alternative but to incorporate a management letter comment pursuant to Chapter 10.550, Rules of the Auditor General. While we understand that the auditor was compelled to include a management letter comment, in this instance, we agree that the remaining receivable was largely uncollectible. Flagler County first

James M. O'Connell
District 1

Milissa Holland
District 2

James A. Darby
District 3

Bob Abbott
District 4

George Hanns
District 5

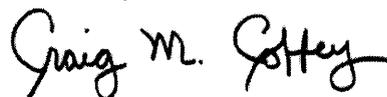
**Audit
Report
Finding
Number**
08-01

embarked on the provision of universal solid waste collection services during fiscal year 2006-07. For that year only, the County direct billed the customers on a per residence basis for solid waste collection services. Beginning with fiscal year 2007-08, the direct billing process was discontinued and replaced with an assessment which is collected annually by the Flagler County Tax Collector in connection with the collection of ad valorem taxes. This modification, which is authorized by the provisions of Section 197.3632, Florida Statutes, virtually guarantees collection of the user charges association with universal solid waste collection. As a consequence, this portion of the County's receivable balances was permanently eliminated by the adjusting entry recommended by the auditors. The other type of receivable giving rise to the auditor's commentary was ambulance service receivables. As noted by the auditors, Flagler County contracts with a third party vendor for the billing and collecting of ambulance service charges. In discussing this comment with the auditors, they reported that they had learned of this issue through media reports of County actions with regard to the write off of ambulance service receivables. Collection rates of ambulance service receivables are generally low, regardless of jurisdiction. In our experience, collection rates of between 50% and 60% are not unusual. Nevertheless, the Board of County Commissioners has taken a number of steps in the past several months aimed at improving the rate of collection. These steps have included enlisting the assistance of the Flagler County Tax Collector in obtaining address information for ambulance service patients, engaging a collection agency for the collection of delinquent accounts, and providing additional training and guidance for the individuals responsible for obtaining patient information. Although we have thus far been unable to locate a formal policy from another Florida jurisdiction with regard to writing off ambulance service receivables, we will continue our search, and consider adoption of any applicable policies and procedures.

With regard to that portion of the recommendation which suggests that "the management of the County establish monitoring policies/procedures in regards to their third party service organizations", we presume that this portion of the recommendation is aimed at review and oversight of the County's third party billing and collecting company. We have reviewed and will continue to monitor the contractual provisions of our agreements with "third party service organizations". Subject to the resources available to us, we will determine the most prudent course of action available to the County in monitoring, on an ongoing basis, our agreements with "third party service organizations".

As always, should you have any questions or require any additional information, please contact me.

Sincerely,



Craig M. Coffey
County Administrator
Flagler County, Florida

**CLERK OF THE CIRCUIT COURT
FLAGLER COUNTY, FLORIDA
SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

**CLERK OF THE CIRCUIT COURT
FLAGLER COUNTY, FLORIDA
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SEPTEMBER 30, 2008**

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INDEPENDENT AUDITORS' REPORT

The Honorable Gail Wadsworth
Flagler County Clerk of the Circuit Court
Flagler County, Florida



We have audited the accompanying special-purpose financial statements of each major fund and the aggregate remaining fund information of the Flagler County Clerk of the Circuit Court, as of and for the year ended September 30, 2008, which collectively comprise the Flagler County Clerk of the Circuit Court's special-purpose financial statements as listed in the table of contents. These financial statements are the responsibility of the Flagler County Clerk of the Circuit Court's management. Our responsibility is to express opinions on these special-purpose financial statements based on our audit.

8035 Spyglass Hill Road
Melbourne, FL 32940
321.757.2020
FAX 321.242.4844

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 special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and 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.

480 N. Orlando Ave.
Suite 218
Winter Park, FL 32789
407.644.5811
FAX 407.644.6022

As discussed in Note 1, the special-purpose financial statements referred to above have been prepared for the purpose of complying with, and on the basis of accounting practices specified by, Rules of the Auditor General, State of Florida, and are not intended to be a complete presentation of the financial position of Flagler County, Florida and the result of its operation's in conformity with accounting principles generally accepted in the United States of America.

301 Clematis Street
Suite 3000
W. Palm Beach, FL 33401
561-837-6627
FAX 561-837-6632

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information the Flagler Count Clerk of the Circuit Court, as of September 30, 2008, and the changes in financial position and, and the respective budgetary comparison for the General, Court General, Court Technology, and Records Modernization funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

www.bermanhopkins.com

In accordance with *Government Auditing Standards*, we have also issued our report dated, February 27, 2009, on our consideration of the Flagler County Clerk of the Circuit Court'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.

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 should be considered in assessing the results of our audit.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than the specified parties.

February 27, 2009
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

**CLERK OF THE CIRCUIT COURT
FLAGLER COUNTY, FLORIDA
BALANCE SHEET – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>General Fund</u>	<u>Court General</u>	<u>Court Technology</u>	<u>Records Modernization</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 367,542	\$ 500,412	\$ 345,075	\$ 164,134	\$ 1,377,163
Accounts receivable	862	4,688	-	-	5,550
Due from other funds	96,031	971	-	-	97,002
Due from Board of County Commissioners	27,935	-	-	-	27,935
Due from other governments	79,339	10,864	-	-	90,203
Other assets	6,832	4,753	-	40,516	52,101
TOTAL ASSETS	<u>\$ 578,541</u>	<u>\$ 521,688</u>	<u>\$ 345,075</u>	<u>\$ 204,650</u>	<u>\$ 1,649,954</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued liabilities	\$ 53,989	\$ 33,317	\$ 412	\$ 193	\$ 87,911
Due to other funds	-	89,846	6,185	-	96,031
Due to Board of County Commissioners	34,979	150,695	-	-	185,674
Due to other governments	285,798	247,830	-	-	533,628
Deferred revenue	76,705	-	-	-	76,705
Deposits	127,070	-	-	-	127,070
TOTAL LIABILITIES	<u>578,541</u>	<u>521,688</u>	<u>6,597</u>	<u>193</u>	<u>1,107,019</u>
FUND BALANCES					
Reserve for prepaid items	-	-	-	40,516	40,516
Unreserved-undesignated	-	-	338,478	163,941	502,419
Total fund balances	-	-	<u>338,478</u>	<u>204,457</u>	<u>542,935</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 578,541</u>	<u>\$ 521,688</u>	<u>\$ 345,075</u>	<u>\$ 204,650</u>	<u>\$ 1,649,954</u>

The accompanying notes are an integral part of the financial statements

**CLERK OF THE CIRCUIT COURT
FLAGLER COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>General Fund</u>	<u>Court General</u>	<u>Court Technology</u>	<u>Records Modernization</u>	<u>Total Governmental Funds</u>
REVENUES					
Intergovernmental	\$ -	\$ 56,986	\$ -	\$ -	\$ 56,986
Charges for services	727,064	1,998,429	214,358	71,680	3,011,531
Miscellaneous revenue	634,504	13,649	10,383	6,068	664,604
TOTAL REVENUES	<u>1,361,568</u>	<u>2,069,064</u>	<u>224,741</u>	<u>77,748</u>	<u>3,733,121</u>
EXPENDITURES					
Current					
General government					
Personal services	1,592,927	-	-	-	1,592,927
Operating expenses	190,114	-	-	68,190	258,304
Court related					
Personal services	-	1,224,507	-	-	1,224,507
Operating expenses	24,156	512,210	127,929	-	664,295
Capital outlay	-	3,700	-	-	3,700
TOTAL EXPENDITURES	<u>1,807,197</u>	<u>1,740,417</u>	<u>127,929</u>	<u>68,190</u>	<u>3,743,733</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(445,629)</u>	<u>328,647</u>	<u>96,812</u>	<u>9,558</u>	<u>(10,612)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in-Board of County Commissioners	561,000	200,000	-	-	761,000
Reversion to other governments	-	(378,953)	-	-	(378,953)
Reversion to Board of County Commissioners	(115,371)	(149,694)	-	-	(265,065)
TOTAL OTHER FINANCING SOURCES (USES)	<u>445,629</u>	<u>(328,647)</u>	<u>-</u>	<u>-</u>	<u>116,982</u>
NET CHANGE IN FUND BALANCE	-	-	96,812	9,558	106,370
FUND BALANCES, BEGINNING OF YEAR	-	-	241,666	194,899	436,565
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 338,478</u>	<u>\$ 204,457</u>	<u>\$ 542,935</u>

The accompanying notes are an integral part of the financial statements

**CLERK OF THE CIRCUIT COURT
FLAGLER COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET and ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 1,273,500	\$ 1,282,500	\$ 727,064	\$ (555,436)
Miscellaneous revenue	703,000	694,000	634,504	(59,496)
TOTAL REVENUES	<u>1,976,500</u>	<u>1,976,500</u>	<u>1,361,568</u>	<u>(614,932)</u>
EXPENDITURES				
Current				
General government				
Personal services	2,130,900	2,067,521	1,592,907	474,614
Operating expenses	406,600	378,679	190,114	188,565
Court related				
Operating Expenses	-	25,800	24,156	1,644
TOTAL EXPENDITURES	<u>2,537,500</u>	<u>2,472,000</u>	<u>1,807,177</u>	<u>664,823</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(561,000)</u>	<u>(495,500)</u>	<u>(445,609)</u>	<u>49,891</u>
OTHER FINANCING SOURCES (USES)				
Transfers in-Board of County Commissioners	561,000	561,000	561,000	-
Reversion to Board of County Commissioners	-	(65,500)	(115,391)	(49,891)
TOTAL OTHER FINANCING SOURCES (USES)	<u>561,000</u>	<u>495,500</u>	<u>445,609</u>	<u>(49,891)</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCES, BEGINNING OF YEAR	-	-	-	-
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

**CLERK OF THE CIRCUIT COURT
FLAGLER COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET and ACTUAL – COURT GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 43,552	\$ 54,378	\$ 56,986	\$ 2,608
Charges for services	1,756,673	1,756,675	1,998,429	241,754
Miscellaneous revenue	10,000	10,000	13,649	3,649
TOTAL REVENUES	<u>1,810,225</u>	<u>1,821,053</u>	<u>2,069,064</u>	<u>248,011</u>
EXPENDITURES				
Current				
Court related				
Personal services	1,330,114	1,359,607	1,224,507	135,100
Operating expenses	540,771	523,296	512,210	11,086
Capital outlay	-	4,600	3,700	900
TOTAL EXPENDITURES	<u>1,870,885</u>	<u>1,887,503</u>	<u>1,740,417</u>	<u>147,086</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(60,660)</u>	<u>(66,450)</u>	<u>328,647</u>	<u>395,097</u>
OTHER FINANCING SOURCES (USES)				
Transfers in-Board of County Commissioners	200,000	200,000	200,000	-
Reversion to other governments	(139,340)	(133,550)	(378,953)	(245,403)
Reversion to Board of County Commissioners	-	-	(149,694)	(149,694)
TOTAL OTHER FINANCING SOURCES (USES)	<u>60,660</u>	<u>66,450</u>	<u>(328,647)</u>	<u>(395,097)</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCES, BEGINNING OF YEAR	-	-	-	-
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

**CLERK OF THE CIRCUIT COURT
FLAGLER COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET and ACTUAL – COURT TECHNOLOGY
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ -	\$ 220,000	\$ 214,358	\$ (5,642)
Miscellaneous revenue	-	11,000	10,383	(617)
TOTAL REVENUES	-	231,000	224,741	(6,259)
EXPENDITURES				
Current				
Court Related				
Operating expenses	-	472,666	127,929	344,737
TOTAL EXPENDITURES	-	472,666	127,929	344,737
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(241,666)	96,812	338,478
NET CHANGE IN FUND BALANCE	-	(241,666)	96,812	338,478
FUND BALANCES, BEGINNING OF YEAR	-	241,666	241,666	-
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 338,478</u>	<u>\$ 338,478</u>

The accompanying notes are an integral part of the financial statements

**CLERK OF THE CIRCUIT COURT
FLAGLER COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET and ACTUAL – RECORDS MODERNIZATION
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget – Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ -	\$ 74,000	\$ 71,680	\$ (2,320)
Miscellaneous revenue	-	6,600	6,068	(532)
TOTAL REVENUES	<u>-</u>	<u>80,600</u>	<u>77,748</u>	<u>(2,852)</u>
EXPENDITURES				
Current				
General government				
Operating expenses	-	91,500	68,190	23,310
TOTAL EXPENDITURES	<u>-</u>	<u>91,500</u>	<u>68,190</u>	<u>23,310</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(10,900)</u>	<u>9,558</u>	<u>20,458</u>
NET CHANGE IN FUND BALANCE	-	(10,900)	9,558	20,458
FUND BALANCES, BEGINNING OF YEAR	-	194,899	194,899	-
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ 183,999</u>	<u>\$ 204,457</u>	<u>\$ 20,458</u>

The accompanying notes are an integral part of the financial statements

**CLERK OF THE CIRCUIT COURT
 FLAGLER COUNTY, FLORIDA
 STATEMENT OF FIDUCIARY ASSETS
 AND LIABILITIES – AGENCY FUNDS
 SEPTEMBER 30, 2008**

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 1,735,700
Accounts receivable	875
<hr/>	
TOTAL ASSETS	\$ 1,736,575
LIABILITIES	
Accounts payable	\$ 7,003
Due to other funds	971
Due to Board of County Commissioners	31,744
Due to other governments	156,470
Deposits	1,540,387
<hr/>	
TOTAL LIABILITIES	\$ 1,736,575

The accompanying notes are an integral part of the financial statements

**CLERK OF THE CIRCUIT COURT
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

(1) Summary of Significant Accounting Policies:

The following is a summary of significant accounting policies of the Flagler County Clerk of the Circuit Court (the Clerk).

(a) Reporting Entity – The Governmental Accounting Standards Board (GASB) in its Statement No. 14, “The Financial Reporting Entity,” as amended by GASB 39, “Determining Whether Certain Organizations Are Component Units an amendment of GASB Statement 14”, which establishes standards for defining the financial reporting entity. In developing these standards, the GASB assumed that all governmental organizations are responsible to elected officials at the federal, state, or local level. Financial reporting by a state or local government should report the elected officials’ accountability for those organizations.

The Clerk, as established by Article VIII of the Constitution of the State of Florida, is an elected official of the County. Although the Clerk’s Office is operationally autonomous from the Board of County Commissioners (the Board), it does not hold sufficient corporate powers of its own to be considered a legally separate entity for financial reporting purposes. Therefore, the Clerk is reported as a part of the primary government of Flagler County, Florida. The Clerk’s special purpose financial statements do not intend to reflect the financial position or the results of operations of Flagler County, Florida, taken as a whole.

These special purpose financial statements of the Clerk are issued separately to comply with Section 10.557(5) *Rules of the Auditor General for Local Governmental Entity Audits*, pursuant to Section 218.39(2), *Florida Statutes*.

The financial activities of the Clerk, as a constitutional officer, are included in the basic financial statements of Flagler County, Florida.

(b) Measurement Focus, Basis of Accounting, and Basis of Presentation – Fund financial statements report detailed information about the Clerk. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. For the year ended September 30, 2008, the Clerk reported the General, Court General, Court Technology and Records Modernization as major funds.

Governmental Funds

Governmental funds are accounted for using the flow of current financial resources measurement focus. Generally, only current assets and current liabilities are included on the balance sheet. Operating statements for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The Clerk reports the following governmental funds:

General Fund – The General Fund of the Clerk is used to account for all financial resources which are generated from operations of the Clerk’s Office, appropriations from the Board of County Commissioners, and any other resources not required to be accounted for in another fund.

**CLERK OF THE CIRCUIT COURT
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

(1) **Summary of Significant Accounting Policies:** (Continued)

Court General – The Court General Fund of the Clerk is used to account for all financial resources that are generated from court operations of the Clerk’s Court Divisions. Said resources are to be used specifically as noted in FS 28.35 (4(a)).

Court Technology – The Court Technology Fund of the Clerk is used to account for certain revenues that are to be used exclusively as noted in FS 28.24 for court related functions in accordance with FS 29.008.

Records Modernization– The Records Modernization Fund of the Clerk is used to account for certain revenue that is to be “held in trust by the clerk and used exclusively for equipment and maintenance of equipment , personnel training and technical assistance in modernizing the public records system in the office.” FS 28.24 (12)(d).

The modified accrual basis of accounting is used by governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available to finance liabilities of the current fiscal year). For this purpose, the Clerk considers revenues to be available if they are collected within 60 days of the end of the current period except for the amount due from the Department of Revenue which extends beyond this period. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences, which are recognized as expenditures to the extent they have matured.

Interest income and other revenue are recognized as they are earned and become measurable and available to pay liabilities of the current period.

Chapter 218, Florida Statutes provide that the amount by which the General Fund revenue and transfers exceed annual expenditures be remitted to the Board of County Commissioners immediately following the fiscal year for which the funding was provided or following the fiscal year during which other revenue was recognized. The amount of this distribution is recorded as a liability and as other financing uses in the accompanying financial statements.

Section 28.37, Florida Statutes, provides that the cumulative excess of all fees, service charges, court costs and fines over the amount needed to meet approved court related expenditures of the Court General Fund be remitted to the Florida Department of Revenue on or before January 1 for the preceding county fiscal year.

Capital outlays expended in governmental fund operations are capitalized in the basic financial statements of Flagler County, Florida rather than in the governmental funds of the Clerk.

Additionally, the Clerk reports the following fund types:

Agency Funds – The Agency Funds of the Clerk are used to account for assets held by the Clerk as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**CLERK OF THE CIRCUIT COURT
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

(1) Summary of Significant Accounting Policies: (Continued)

(c) Cash and Cash Equivalents – The Clerk’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from acquisition date.

(d) Compensated Absences – Earned leave time is determined by employees’ length of service. Vacation and sick leave payments are included in operating costs when the payments are made to the employees. The Clerk does not, nor is she legally required to accumulate financial resources for these unmatured obligations. Accordingly, the liability for compensated absences is not reported in the governmental funds but rather is reported in the basic financial statements of Flagler County, Florida.

(e) Use of Estimates – The preparation of financial statements in accordance with GAAP, requires management to make estimates and assumptions that effect the reporting amounts of assets and liabilities at the date of the financial statements, and the reporting amount of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

(2) Budgets and Budgetary Accounting:

The preparation, adoption, and amendment of the budget are governed by Chapter 129, Florida Statutes. The fund is the legal level of control.

An annual budget is legally adopted for the General Fund, the Records Modernization Fund and the Court Technology Fund. Budgetary data presented in the accompanying special purpose financial statements have been adjusted for legally authorized amendments.

A budget was adopted for the Court General Fund and approved by the Florida Clerk of Courts Operations Corporation.

(3) Changes in Capital Assets:

A summary of changes in capital assets for the Clerk as reported as part of the basic financial statements of Flagler County, Florida is as follows:

	<u>Balance October 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2008</u>
Governmental Activities:				
Equipment	\$ 1,967,229	\$ 3,700	\$ (101,064)	\$ 1,869,865
Less: accumulated depreciation	(1,285,710)	(391,192)	96,040	(1,580,862)
Total governmental activities capital assets, net	<u>\$ 681,519</u>	<u>\$ (387,492)</u>	<u>\$ (5,024)</u>	<u>\$ 289,003</u>

For the year ended September 30, 2008, depreciation expense of \$391,192 was charged to the general government function in the basic financial statements of Flagler County, Florida.

**CLERK OF THE CIRCUIT COURT
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

(4) Changes in Long-Term Liabilities:

The Clerk estimates \$190,000 due within one year. A summary of changes in the Clerk's long-term liabilities as reported in the basic financial statements of Flagler County, Florida follows:

	Balance October 1, 2007	Additions	Deductions	Balance September 30, 2008
Compensated Absences	\$ 184,222	\$ 215,548	\$ 191,303	\$ 208,467

(5) Pension Plans:

Defined Benefit Pension Plan – The Clerk participates in the Florida Retirement System Pension Plan (Pension Plan), a cost-sharing multiple-employer public employee retirement system administered by the State of Florida Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Chapter 121, *Florida Statutes*, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. The Pension Plan issues a publicly available financial report that includes financial statements, ten-year historical trend information, and other required supplementary information. That report may be obtained by writing to the:

State of Florida Department of Administration
Division of Retirement
Cedars Executive Center, Building C
2639 North Monroe Street
Tallahassee, Florida 32399-1560

The Pension Plan provides vesting of benefits after six years of credible service. Regular members are eligible for normal retirement after six years of service and attaining age sixty-two, or thirty year of service regardless of age. Early retirement may be taken any time after completion of six years of service; however, there is a five percent benefit reduction for each year prior to normal retirement. Generally, membership is compulsory for all full-time and part-time employees, except for elected county officials who may elect not to participate in the Florida Retirement System. Retirement coverage is employee noncontributory. The employer pays all contributions. The contribution rates are as follows:

	October 1, 2007 - June 30, 2008	July 1, 2008 - September 30, 2008
Regular Employees	9.85 %	9.85 %
Elected County Officials	16.53 %	16.53 %
Senior Management	13.12 %	13.12 %
Deferred Retirement Option Programs Employees	10.91 %	10.91 %

**CLERK OF THE CIRCUIT COURT
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

(5) Pension Plans: (Continued)

The contribution rate of current year covered payroll is 10.98 percent. For the years ended September 30, 2008, 2007, and 2006, total contributions were \$239,689, \$253,251, and \$172,399, respectively. The Clerk made actual contributions equal to the actuarially determined required contributions each year.

Defined Contribution Pension Plan – As of June 1, 2002, the Florida Retirement System offers members the option of participating in the Florida Retirement System Investment Plan (Investment Plan), a defined contribution plan qualified under Section 401(a) of the Internal Revenue Code. The Investment Plan is administered by the State of Florida Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Chapter 121, *Florida Statutes*, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions.

The Investment Plan provides for vesting of benefits after one year of credible service. Employees may make an election to participate in the Investment Plan instead of the Pension Plan. Existing employees may make the election beginning December 1, 2002. New employees may make the election within five months of their month of hire. Participants in the Investment Plan also have a one-time opportunity to switch back to the Pension Plan at any time by "buying back" into the Pension Plan. Retirement coverage is employee noncontributory. The employer pays all contributions. The rates for the Investment Plan are the same as the Pension Plan.

For the year ended September 30, 2008, twenty employees of the Clerk were participating in the Investment Plan and the remaining employees were participating in the Pension Plan.

(6) Deposits:

At fiscal year end, the carrying amount of the Clerk's deposits and bank balances were \$3,112,863 and \$3,230,242, respectively. Bank balances are insured up to \$100,000 by the Federal Depository Insurance Corporation (FDIC). Any balance in excess of FDIC insurance is covered by collateral held by the Clerk's custodial bank which is pledged to a state trust fund that provides security in accordance with the Florida Security for Public Deposits Act, Chapter 280, of the *Florida Statutes*.

The Florida Security for Public Deposits Act established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified public depository must pledge at least 50 percent of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125 percent, may be required, if deemed necessary under the conditions set forth in the Act. Obligations pledged to secure deposits must be delivered to the State Treasurer or, with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer. Under the Act, the pool may assess participating financial institutions on a pro rata basis to fund any shortfall in the event of the failure of a member institution.

**CLERK OF THE CIRCUIT COURT
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

(7) Interfund Balances:

These balances represent loans between the borrower and the lender funds. These resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur. At September 30, 2008, interfund balances consisted of:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 96,031	\$ -
Special revenue funds:		
Court General	971	89,846
Court Technology	-	6,185
Agency funds:		
Child Support	-	971
Totals	\$ 97,002	\$ 97,002

(8) Due From/To Entities of Flagler County:

At September 30, 2008, the amounts due from/to entities of Flagler County consist of the following:

<u>General Fund</u>	
Board of County Commissioners	\$ 27,935
Due from entities of Flagler County	\$ 27,935
 <u>General Fund</u>	
Board of County Commissioners	\$ 34,979
 <u>Court General Fund</u>	
Board of County Commissioners	150,695
 <u>Agency Funds</u>	
Board of County Commissioners	31,744
Due to entities of Flagler County	\$ 217,418

There were \$265,065 of excess revenues reverted to the Board of County Commissioners.

**CLERK OF THE CIRCUIT COURT
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

(9) Risk Management:

The Clerk participates in the Flagler County risk management program. The Board of County Commissioners maintains a Group Medical Benefit Internal Service Fund for life and health insurance. During the current year, the Clerk remitted \$610,548 to the Board for insurance coverage. Information regarding the program's coverage, self-insurance reserves and program administration can be found in the special purpose financial statements of the Flagler County Board of County Commissioners for the year ended September 30, 2008.

(10) Commitments and Contingencies:

A termination of benefits contract is in existence at September 30, 2008 which agrees to pay the employee a lump sum cash payment equal to twelve months aggregate gross salary plus pension benefits and accumulated unpaid leave time. This contract is valid for twenty years from its inception, dated July 16, 2007. As of September 30, 2008 no liability has been recorded.

(11) Excess Expenditures Over Appropriations:

The Court Technology Fund had excess expenditures over appropriations which relate primarily to two invoices received after the budget amendments report was prepared.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF SPECIAL-
PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**



The Honorable Gail Wadsworth
Flagler County Clerk of the Circuit Court
Flagler County, Florida

8035 Spyglass Hill Road
Melbourne, FL 32940
321.757.2020
FAX 321.242.4844

We have audited the special-purpose financial statements of each major fund, and the aggregate remaining fund information of the Flagler County Clerk of the Circuit Court, as of and for the year ended September 30, 2008, which collectively comprise the Flagler County Clerk of the Circuit Court's special-purpose financial statements and have issued our report thereon dated February 27, 2009. 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

480 N. Orlando Ave.
Suite 218
Winter Park, FL 32789
407.644.5811
FAX 407.644.6022

In planning and performing our audit, we considered the Flagler County Clerk of the Circuit Court'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 Flagler County Clerk of the Circuit Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Flagler County Clerk of the Circuit Court's internal control over financial reporting.

301 Clematis Street
Suite 3000
W. Palm Beach, FL 33401
561-837-6627
FAX 561-837-6632

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Flagler County Clerk of the Circuit Court's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Flagler County Clerk of the Circuit Court's special-purpose financial statements that is more than inconsequential will not be prevented or detected by the Flagler County Clerk of the Circuit Court's internal control.

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A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the special-purpose financial statements will not be prevented or detected by the Flagler County Clerk of the Circuit Court's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Flagler County Clerk of the Circuit Court's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 solely for the information and use of management, others with in the entity, and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

February 27, 2009
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

MANAGEMENT LETTER

The Honorable Gail Wadsworth
Flagler County Clerk of the Circuit Courts
Flagler County, Florida.



We have audited the special-purpose financial statements of the Clerk of the Circuit Court of Flagler County, Florida (the "Clerk of the Circuit Court") as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated February 27, 2009.

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. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in that report, which is dated February 27, 2009, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's report:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include 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 Clerk of the Circuit Court complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3, Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. Our recommendations are summarized in the attached Schedule of Management Recommendations.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the special-purpose financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings

8035 Spyglass Hill Road
Melbourne, FL 32940
321.757.2020
FAX 321.242.4844

480 N. Orlando Ave.
Suite 218
Winter Park, FL 32789
407.644.5811
FAX 407.644.6022

301 Clematis Street
Suite 3000
W. Palm Beach, FL 33401
561-837-6627
FAX 561-837-6632

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- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: 1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the special-purpose financial statements. The Clerk of the Circuit Court was established by the Constitution of the State of Florida, Article VIII, Section 1(d). There were no component units related to the Clerk of the Circuit Court.
- Section 10.554(1)(i)8., Rules of the Auditor General, requires a statement as to whether or not the Clerk of Court complied with Section 28.35, Florida Statutes, regarding the budget and performance standards certified by the Florida Clerk of Courts Operations Corporation. In connection with our audit, we determined that the Clerk complied with all of the budget and performance standards pursuant to Section 28.35, Florida Statutes.

This management letter is intended solely for the information and use of management, the Auditor General of the State of Florida and applicable state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

February 27, 2009, 2008
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

**Flagler County Clerk of the Circuit Court
Management Recommendations
September 30, 2008**

Prior year recommendations:

07-1 Interest Revenue Allocation

Criteria: Pursuant to Section 28.35, Florida Statutes the Clerk is required to include interest earned on state court revenues in the calculation of excess income.

Condition: The interest on state court revenues was not recorded in the correct fund.

Effect: An adjustment of \$21,485 was required to reallocate the interest revenue earned on state revenues to the appropriate funds. As a result of this adjustment, the Clerk was required to submit excess revenues to the state court system after the January 1, 2008 deadline.

Auditors' recommendation: Management should institute a policy whereby interest earned on state court revenues is reported and included in the calculation of excess income.

Status: As of September 30, 2008, the above issue has been resolved.



GAIL WADSWORTH, Clerk of the Circuit Court

1769 East Moody Blvd., Building #1 • Bunnell, Florida 32110
Website: www.flaglerclerk.com

April 8, 2009

David W. Martin, CPA
Auditor General
State of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

I have reviewed the Independent Auditors' Report, special purpose financial statements and management letter of the Flagler County Clerk of the Circuit Court as of and for the year ended September 30, 2008.

I was pleased to note the special purpose financial statements received an unqualified opinion, in addition to the report on compliance and internal control over financial reporting indicating no instances of noncompliance or matters involving internal control requiring additional reporting.

In addition, the management letter did not report any findings or formal recommendations regarding the operations of the Clerk's office.

Reports of this nature could not have been accomplished without the dedicated efforts of the staff of the office of the Clerk of Courts. Each member of the staff has my sincere appreciation for the contributions made in the results of these reports.

Sincerely,

Gail Wadsworth
Clerk of Courts

SHERIFF
FLAGLER COUNTY, FLORIDA
SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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INDEPENDENT AUDITORS' REPORT

Honorable Donald W. Fleming
Flagler County Sheriff
Flagler County, Florida



We have audited the accompanying special-purpose financial statements of the major fund and the aggregate remaining fund information of the Sheriff of Flagler County, Florida, (the "Sheriff") as of and for the year ended September 30, 2008, as listed in the table of contents. These special-purpose financial statements are the responsibility of the management of the Sheriff. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

8035 Spyglass Hill Road
Melbourne, FL 32940
321.757.2020
FAX 321.242.4844

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 special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special purpose financial statements. An audit also includes assessing the accounting principles used and 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 opinion.

480 N. Orlando Ave.
Suite 218
Winter Park, FL 32789
407.644.5811
FAX 407.644.6022

301 Clematis Street
Suite 3000
W. Palm Beach, FL 33401
561-837-6627
FAX 561-837-6632

As discussed in Note 1, the special-purpose financial statements referred to above have been prepared for the purpose of complying with, and on the basis of accounting practices specified by, the *Rules of the Auditor General*, State of Florida, and present only the financial position of the Sheriff at September 30, 2008, and the changes in financial position for the year then ended. They do not purport to, and do not, present fairly the financial position of Flagler County, Florida, as of September 30, 2008, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of the major fund and the aggregate remaining fund information of the Sheriff as of September 30, 2008, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the 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 a report dated February 3, 2009, on our consideration of the Sheriff's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the Sheriff, 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.

February 3, 2009
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

**SHERIFF
FLAGLER COUNTY, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 517,171	\$ 10,888	\$ 528,059
Accounts receivable	49,936	406	50,342
Due from other funds	-	21	21
Due from other governments	30,297	-	30,297
TOTAL ASSETS	\$ 597,404	\$ 11,315	\$ 608,719
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 68,374	\$ -	\$ 68,374
Accrued wages	225,443	-	225,443
Due to other governments	59,649	-	59,649
Due to Board of County Commissioners	234,510	428	234,938
Due to other funds	21	-	21
Deferred revenue	9,407	-	9,407
TOTAL LIABILITIES	597,404	428	597,832
FUND BALANCES:			
Unreserved-undesignated:			
Special revenue funds	-	10,887	10,887
TOTAL FUND BALANCES	-	10,887	10,887
TOTAL LIABILITIES AND FUND BALANCES	\$ 597,404	\$ 11,315	\$ 608,719

The accompanying notes are an integral part of the financial statements.

**SHERIFF
FLAGLER COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Charges for services	\$ 2,779,705	\$ 8,768	\$ 2,788,473
Intergovernmental	262,444	-	262,444
Miscellaneous revenue	218,304	54,798	273,102
Interest	28,632	43	28,675
TOTAL REVENUES	3,289,085	63,609	3,352,694
EXPENDITURES:			
Current:			
Court related:			
Personal services	1,134,512	-	1,134,512
Operating expenses	33,131	-	33,131
Capital Outlay	88,860	-	88,860
Public safety:			
Personal services	16,280,259	-	16,280,259
Operating expenses	3,656,496	79,207	3,735,703
Capital outlay	2,009,953	-	2,009,953
Debt service:			
Principal	910,763	-	910,763
Interest	181,658	-	181,658
TOTAL EXPENDITURES	24,295,632	79,207	24,374,839
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(21,006,547)	(15,598)	(21,022,145)
OTHER FINANCING SOURCES (USES):			
Transfer in - Board of County Commissioners	20,439,068	-	20,439,068
Sale of capital assets	61,299	-	61,299
Long term debt issued - capital leases	750,000	-	750,000
Reversion to Board of County Commissioners	(243,820)	-	(243,820)
TOTAL OTHER FINANCING SOURCES	21,006,547	-	21,006,547
NET CHANGE IN FUND BALANCES	-	(15,598)	(15,598)
FUND BALANCES, BEGINNING OF YEAR	-	26,485	26,485
FUND BALANCES, END OF YEAR	\$ -	\$ 10,887	\$ 10,887

The accompanying notes are an integral part of the financial statements.

**SHERIFF
FLAGLER COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental	\$ -	\$ 262,446	\$ 262,444	\$ (2)
Charges for services	2,522,267	2,787,787	2,779,705	(8,082)
Miscellaneous revenue	-	218,308	218,304	(4)
Interest	-	28,633	28,632	(1)
TOTAL REVENUES	<u>2,522,267</u>	<u>3,297,174</u>	<u>3,289,085</u>	<u>(8,089)</u>
EXPENDITURES:				
Current:				
Court related				
Personal services	1,260,967	1,173,024	1,134,512	38,512
Operating expenses	39,260	41,050	33,131	7,919
Capital outlay	-	88,860	88,860	-
Public safety				
Personal services	16,671,176	16,364,664	16,280,259	84,405
Operating expenses	3,673,962	3,774,480	3,656,496	117,984
Capital outlay	176,569	2,012,623	2,009,953	2,670
Debt service:				
Principal and interest	1,116,025	1,092,424	1,092,421	3
TOTAL EXPENDITURES	<u>22,937,959</u>	<u>24,547,125</u>	<u>24,295,632</u>	<u>251,493</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(20,415,692)</u>	<u>(21,249,951)</u>	<u>(21,006,547)</u>	<u>(243,404)</u>
OTHER FINANCING SOURCES (USES):				
Transfer in - Board of County Commissioners	20,415,692	20,439,068	20,439,068	-
Sale of capital assets	-	61,299	61,299	-
Long term debt issued - capital leases	-	750,000	750,000	-
Reversion to Board of County Commissioners	-	(416)	(243,820)	(243,404)
TOTAL OTHER FINANCING SOURCES	<u>20,415,692</u>	<u>21,249,951</u>	<u>21,006,547</u>	<u>(243,404)</u>
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCES, BEGINNING OF YEAR	-	-	-	-
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

**SHERIFF
FLAGLER COUNTY, FLORIDA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
SEPTEMBER 30, 2008**

ASSETS	<u>Agency Funds</u>
Cash and cash equivalents	<u>\$ 50,433</u>
LIABILITIES	
Due to Board of County Commissioners	\$ 17,320
Deposits	<u>33,113</u>
TOTAL LIABILITIES	<u>\$ 50,433</u>

The accompanying notes are an integral part of the financial statements.

**SHERIFF
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following is a summary of significant accounting policies of the Flagler County Sheriff (the Sheriff).

a) **Reporting Entity** - The Governmental Accounting Standards Board (GASB) in its Statement No. 14, "The Financial Reporting Entity", as amended by GASB 39, "Determining Whether Certain Organizations Are Component Units an amendment of GASB Statement 14", establishes standards for defining the financial reporting entity. In developing these standards, the GASB assumed that all governmental organizations are responsible to elected officials at the federal, state, or local level. Financial reporting by a state or local government should report the elected official's accountability for those organizations.

The Sheriff, as established by Article VIII of the Constitution of the State of Florida, is an elected official of the County. Although the Sheriff's office is operationally autonomous from the Board of County Commissioners, it does not hold sufficient corporate powers of its own to be considered a legally separate entity for financial reporting purposes. Therefore, the Sheriff is reported as a part of the primary government of Flagler County, Florida. The Sheriff's special-purpose financial statements do not purport to reflect the financial position or the results of operations of Flagler County, Florida, taken as a whole.

These special-purpose financial statements of the Sheriff are issued separately to comply with Section 10.557(5) *Rules of the Auditor General for Local Governmental Entity Audits*, pursuant to Section 218.39(2), *Florida Statutes*.

The financial activities of the Sheriff, as a constitutional officer, are included in the basic financial statements of Flagler County, Florida.

b) **Measurement Focus, Basis of Accounting, and Basis of Presentation** - Fund financial statements report detailed information about the Sheriff. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Non-major funds are aggregated and reported in a single column. For the year ended September 30, 2008, the Sheriff reported the General Fund as a major fund.

Governmental Funds

Governmental Funds are accounted for using the flow of current financial resources measurement focus. Only current assets and current liabilities, generally, are included on the balance sheet. Operating statements for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The Sheriff reports the following governmental fund types:

General Fund - The General Fund of the Sheriff is used to account for all financial resources which are generated from operations of the Sheriff's office, appropriations from the Board of County Commissioners, or any other resources not required to be accounted for in another fund.

**SHERIFF
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Governmental Funds (continued)

Special Revenue Funds - The Sheriff has five non-major special revenue funds that account for the proceeds of specific revenue sources that are largely restricted to expenditures for specified purposes.

The modified accrual basis of accounting is used by governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available to finance liabilities of the current fiscal year). For this purpose, the Sheriff considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences, which are recognized as expenditures to the extent they have matured.

Interest income and other revenue are recognized as they are earned and become measurable and available to pay liabilities of the current period.

Capital outlays expended in governmental fund operations are capitalized in the basic financial statements of Flagler County, Florida rather than in the governmental funds of the Sheriff.

Additionally, the Sheriff reports the following funds:

Agency Funds - The Agency Funds of the Sheriff are used to account for assets held by the Sheriff as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

c) **Capital Assets** - Capital assets consist of equipment and vehicles in the Sheriff's operations and are recorded as expenditures in the General Fund and Special Revenue Funds at the time goods are received and a liability is incurred. Capital assets are defined as assets with an initial individual cost of more than \$1,000, except for guns which are considered capital assets regardless of cost, and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated fixed assets are valued at their estimated fair value on the date received. No depreciation has been provided on capital assets in these special-purpose financial statements. However, depreciation expense on these capital assets will be recorded in the basic financial statements of Flagler County, Florida.

d) **Cash and Cash Equivalents** - The Sheriff's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from acquisition date.

**SHERIFF
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Governmental Funds (continued)

e) **Compensated Absences** - Earned leave time is determined by employees' length of service. Generally, the Sheriff's policies allow limited vesting of unused employee leave time. Vacation payments are included in operating costs when the payments are made to the employees. The Sheriff does not, nor is he legally required to accumulate financial resources for these unmatured obligations. Accordingly, the liability for compensated absences is not reported in the governmental funds but rather is reported in the basic financial statements of Flagler County, Florida.

f) **Use of Estimates** - The preparation of financial statements in accordance with GAAP, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reporting amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2) BUDGET AND BUDGETARY ACCOUNTING:

The preparation, adoption, and amendment of the budget are governed by Chapter 129, Florida Statutes. The fund is the legal level of control.

An annual budget is adopted for the general fund and certain special revenue funds. All budget amounts presented in the accompanying special-purpose financial statements have been adjusted for legally authorized amendments of the annual budget for the year. Budget appropriations lapse at year-end.

3) CAPITAL ASSETS:

A summary of changes in capital assets for the Sheriff as reported as part of the basic financial statements of Flagler County, Florida is as follows

	Balance October 1, 2007	Additions	Deductions	Balance September 30, 2008
Vehicles and equipment	\$ 8,239,040	\$ 2,108,133	\$ (1,506,834)	\$ 8,840,339
Accumulated depreciation	(5,081,479)	(1,329,003)	1,476,249	(4,934,233)
Capital assets, net	<u>\$ 3,157,561</u>	<u>\$ 779,130</u>	<u>\$ (30,585)</u>	<u>\$ 3,906,106</u>

**SHERIFF
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

3) CAPITAL ASSETS (continued):

Depreciation expense was charged to functions/programs of the Sheriff in the government-wide financial statements as follows:

Governmental activities:	
Court related	\$ 10,826
Law enforcement	1,310,219
Jail (corrections)	<u>7,959</u>
Total depreciation expense	<u><u>\$ 1,329,004</u></u>

4) LONG-TERM LIABILITIES:

A summary of changes in long-term liabilities for the Sheriff as reported as part of the basic financial statements of Flagler County, Florida is as follows:

	Balance October 1, 2007	Additions	Deductions	Balance September 30, 2008	Due within one year
Compensated absences	\$ 572,713	\$ 1,065,600	\$ (943,472)	\$ 694,841	\$ 694,841
Capital lease obligations	903,321	750,000	(902,763)	750,558	500,693
	<u>\$ 1,476,034</u>	<u>\$ 1,815,600</u>	<u>\$ (1,846,235)</u>	<u>\$ 1,445,399</u>	<u>\$ 1,195,534</u>

Historically, capital lease obligations and compensated absences have been generally liquidated by the general fund.

- a. **Compensated Absences** - The Sheriff allows limited vesting and accumulation of unused employee leave time.
- b. **Capital Leases** - The Sheriff is the lessee of vehicles and equipment expiring at various dates through 2008. The stated interest rates for these leases range from 3.93% to 6.79%. The assets and liability under the capital leases are recorded at the present value of the minimum lease payments.

The following is an analysis of fixed assets leased under capital leases as of September 30, 2008:

	Balance September 30, 2008
Vehicles and equipment	\$ 3,062,946
Less: accumulated depreciation	<u>(1,284,709)</u>
Capital assets net	<u><u>\$ 1,778,237</u></u>

**SHERIFF
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

4) LONG-TERM LIABILITIES (continued):

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2008 were as follows:

Fiscal Year Ending September 30,	Amount
2009	\$ 532,011
2010	260,134
	792,145
Less amount representing interest	(41,587)
Present value of net minimum lease payments	\$ 750,558

5) OPERATING LEASES:

The Sheriff has two office leases and three equipment leases with maturity dates ranging from October 2007 to February 2012. Monthly rent expense ranges from \$49 to \$4,686. Rent expense under these leases for the year ended September 30, 2008, was \$170,871. The future minimum lease payments for the remaining terms are as follows:

Year ending September 30,	Amount
2009	135,882
2010	104,970
2011	94,455
2012	43,703
2013	214,859
	\$ 593,869

6) PENSION PLANS:

Defined Benefit Pension Plan - The employees of the Sheriff's office participated in the Florida Retirement System Pension Plan (Pension Plan), a cost-sharing multiple-employer public employee retirement system administered by the State of Florida Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions.

**SHERIFF
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

6) PENSION PLANS (continued):

Defined Benefit Pension Plan (continued)

The Pension Plan issues a publicly available financial report that includes financial statements, ten-year historical trend information, and other required supplementary information. That report may be obtained by writing to the:

State of Florida Division of Retirement
Department of Management Services
P.O. Box 9000
Tallahassee, FL 32315-9000

The Pension Plan provides vesting of benefits after six years of creditable service. Regular members are eligible for normal retirement after six years of service and attaining age sixty-two, or thirty years of service regardless of age. Early retirement may be taken any time after completing six years of service, however, there is a five percent benefit reduction for each year prior to normal retirement. Generally, membership is compulsory for all full-time and part-time employees, except for elected county officials who may elect not to participate in the Florida Retirement System. Retirement coverage is employee noncontributory. The employer pays all contributions. The contributions rates are as follows:

	October 1, 2007 - September 30, 2008
Regular employees	9.85%
Elected county officials	16.53%
Senior management	13.12%
Special risk employees	20.92%
Deferred retirement option program Employees	10.91%

The contribution rate of current year covered payroll is 17.47%. For the years ended September 30, 2008, 2007 and 2006, total contributions were \$2,004,186, \$1,804,614 and \$1,334,501, respectively. The Sheriff made actual contributions equal to the required contributions each year.

Defined Contribution Pension Plans

As of June 2, 2002, Florida Retirement System offers members the option of participating in the Florida Retirement System Investment Plan (Investment Plan), a defined contribution plan qualified under Section 401(a) of the Internal Revenue Code. The Investment Plan is administered by the State of Florida Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions.

**SHERIFF
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

6) PENSION PLANS (continued):

Defined Contribution Pension Plans (continued)

The Investment Plan provides vesting of benefits after one year of creditable service. Employees may make an election to participate in the Investment Plan instead of the Pension Plan. Existing employees may make the election beginning December 1, 2002. New employees may make the election within five months of their month of hire. Participants in the Investment Plan also have a one-time opportunity to switch back to the Pension Plan at any time by "buying back" into the Pension Plan. Retirement coverage is employee noncontributory. The employer pays all contributions. The rates for the Investment Plan are the same as the Pension Plan.

For the year ended September 30, 2008, all employees of the Sheriff were participating in the Pension Plan.

7) DEPOSITS:

At year-end, the carrying amount of the Sheriff's deposits was \$578,491 and the bank balances were \$1,629,140. Any balance in excess of FDIC insurance is covered by collateral held by the Sheriff's custodial banks, which is pledged to a state trust fund that provides security in accordance with the Florida Security for Public Deposits Act, Chapter 280, Florida Statutes.

The Florida Security for Public Deposits Act established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified public depository must pledge at least 50 percent of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125 percent, may be required, if deemed necessary under the conditions set forth in the Act. Obligations pledged to secure deposits must be delivered to the State Treasurer or, with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer. Under the Act, the pool may assess participating financial institutions on a pro rata basis to fund any shortfall in the event of the failure of a member institution.

**SHERIFF
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

8) DUE FROM/TO ENTITIES OF FLAGLER COUNTY:

At September 30, 2008, the amounts due from/to entities of Flagler County consist of the following:

Due from the Board of County Commissioners	<u>\$ 50,212</u>
Due to the Board of County Commissioners	<u>\$ 302,507</u>

The amount due to the Board of County Commissioners includes the reversion of \$243,821 of excess revenues and other financing sources over expenditures.

9) RISK MANAGEMENT:

The Sheriff is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Sheriff carries commercial insurance. Settled claims resulting from the risks described above have not exceeded the insurance coverage during the previous three years.

The Sheriff participates in the Flagler County risk management program. The Board of County Commissioners maintains a Group Medical Benefit Internal Service Fund for life and health insurance. During the current year, the Sheriff remitted \$2,570,511 to the Board for insurance coverage. Information regarding the program's coverage, self-insurance reserves and program administration can be found in the special-purpose financial statements of the Flagler County Board of County Commissioners for the year ended September 30, 2008.

10) CONTINGENCIES:

The Sheriff is involved in various litigation matters arising in the normal operations of local law enforcement. It is the opinion of the Sheriff that none of these matters will have a material impact on the special-purpose financial statements of the Sheriff.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF SPECIAL-
PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**



The Honorable Donald W. Fleming
Flagler County Sheriff
Flagler County, Florida

8035 Spyglass Hill Road
Melbourne, FL 32940
321.757.2020
FAX 321.242.4844

We have audited the special-purpose financial statements of the major fund and aggregate remaining fund information of the Sheriff of Flagler County, Florida (the "Sheriff") as of and for the year ended September 30, 2008, and have issued our report thereon dated February 3, 2009. 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

480 N. Orlando Ave.
Suite 218
Winter Park, FL 32789
407.644.5811
FAX 407.644.6022

In planning and performing our audit, we considered the Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

301 Clematis Street
Suite 3000
W. Palm Beach, FL 33401
561-837-6627
FAX 561-837-6632

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Sheriff's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Sheriff's special-purpose financial statements that is more than inconsequential will not be prevented or detected by the Sheriff's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the special-purpose financial statements will not be prevented or detected by the Sheriff's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Sheriff's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of special-purpose 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 solely for the information and use of management, the Auditor General of the State of Florida and applicable regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties.

February 3, 2009
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

**REPORT ON COMPLIANCE WITH
FEDERAL EQUITABLE SHARING GUIDELINES**

Honorable Donald W. Fleming
Flagler County Sheriff
Flagler County, Florida



8035 Spyglass Hill Road
Melbourne, FL 32940
321.757.2020
FAX 321.242.4844

480 N. Orlando Ave.
Suite 218
Winter Park, FL 32789
407.644.5811
FAX 407.644.6022

301 Clematis Street
Suite 3000
W. Palm Beach, FL 33401
561-837-6627
FAX 561-837-6632

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We have audited the compliance of the Flagler County Sheriff with the types of compliance requirements described in the Department of the Treasury's Guide to Equitable Sharing for Foreign Countries and Federal, State, and Local Law Enforcement Agencies that is applicable to each of its federal equitable sharing programs for the year ended September 30, 2008. Compliance with the requirements of laws, regulations, and guidelines applicable to federal equitable sharing programs is the responsibility of the Flagler County Sheriff's management. Our responsibility is to express an opinion on the Flagler County Sheriff'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. Those standards 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 federal equitable sharing program occurred. An audit includes examining on a test basis, evidence about the Flagler County Sheriff'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 on the Flagler County Sheriff's compliance with those requirements.

In our opinion, the Flagler County Sheriff complied, in all material respects, with the requirements referred to above that are applicable to each of federal equitable sharing programs for the year ended September 30, 2008.

This report is intended solely for the information and use of management and the Department of the Treasury and is not intended to be and should not be used by anyone other than these specified parties.

February 3, 2009
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

MANAGEMENT LETTER

The Honorable Donald W. Fleming
Flagler County Sheriff
Flagler County, Florida



We have audited the special-purpose financial statements of the Sheriff of Flagler County, Florida (the "Sheriff") as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated February 3, 2009.

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. We have issued our Report on Compliance and Internal Control over Financial Reporting. Disclosures in that report, which is dated February 3, 2009, should be considered in conjunction with this management letter.

Additionally, our audit was conducted 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 and, unless otherwise required to be reported in the report on compliance and internal controls or schedule of findings and questioned costs, this letter is required to include the following information.

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant 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.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include 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 Sheriff complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3, Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not have any such recommendations.

8035 Spyglass Hill Road
Melbourne, FL 32940
321.757.2020
FAX 321.242.4844

480 N. Orlando Ave.
Suite 218
Winter Park, FL 32789
407.644.5811
FAX 407.644.6022

301 Clematis Street
Suite 3000
W. Palm Beach, FL 33401
561-837-6627
FAX 561-837-6632

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- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the special-purpose financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the special-purpose financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred and would have an immaterial effect on the special-purpose financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the special-purpose financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the special-purpose financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the special-purpose financial statements. The Sheriff was established by the Constitution of the State of Florida, Article VIII, Section I(d). There were no component units related to the Sheriff.

This management letter is intended solely for the information and use of management, the Auditor General of the State of Florida and applicable state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

February 3, 2009
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

TAX COLLECTOR
FLAGLER COUNTY, FLORIDA
SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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INDEPENDENT AUDITORS' REPORT

The Honorable Suzanne Johnston
Flagler County Tax Collector
Flagler County, Florida



We have audited the accompanying special-purpose financial statements of the major fund and the aggregate remaining fund information of the Tax Collector of Flagler County, Florida (the "Tax Collector") as of and for the year ended September 30, 2008, as listed in the table of contents. These special-purpose financial statements are the responsibility of the management of the Tax Collector. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

8035 Spyglass Hill Road
Melbourne, FL 32940
321.757.2020
FAX 321.242.4844

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 special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and 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 opinion.

480 N. Orlando Ave.
Suite 218
Winter Park, FL 32789
407.644.5811
FAX 407.644.6022

As discussed in Note 1, the special-purpose financial statements referred to above have been prepared for the purpose of complying with, and on the basis of accounting practices specified by, the *Rules of the Auditor General*, State of Florida, and present only the financial position of the Tax Collector at September 30, 2008, and the changes in financial position for the year then ended. They do not purport to, and do not, present fairly the financial position of Flagler County, Florida, as of September 30, 2008, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

301 Clematis Street
Suite 3000
W. Palm Beach, FL 33401
561-837-6627
FAX 561-837-6632

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In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of the major fund and the aggregate remaining fund information of the Tax Collector as of September 30, 2008, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the 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 a report dated February 6, 2009, on our consideration of the Tax Collector's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the Tax Collector, 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.

February 6, 2009
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

**TAX COLLECTOR
 FLAGLER COUNTY, FLORIDA
 BALANCE SHEET - GOVERNMENTAL FUND
 SEPTEMBER 30, 2008**

	<u>General Fund</u>
ASSETS	
Cash	\$ 2,220,221
TOTAL ASSETS	<u>\$ 2,220,221</u>
 LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accrued liabilities	\$ 30,882
Due to Board of County Commissioners	2,053,957
Due to other governments	<u>135,382</u>
TOTAL LIABILITIES	<u>2,220,221</u>
Fund balance:	
Unreserved - undesignated	<u>-</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 2,220,221</u></u>

The accompanying notes are an integral part of the financial statements.

**TAX COLLECTOR
 FLAGLER COUNTY, FLORIDA
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 GOVERNMENTAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>General Fund</u>
REVENUES	
Charges for services	\$ 4,084,067
Miscellaneous revenue	7,773
TOTAL REVENUES	<u>4,091,840</u>
 EXPENDITURES	
Current:	
General government:	
Personal services	1,648,379
Operating expenses	382,521
Capital outlay	3,560
TOTAL EXPENDITURES	<u>2,034,460</u>
 EXCESS OF REVENUES OVER EXPENDITURES	 <u>2,057,380</u>
 OTHER FINANCING USES:	
Reversion to Board of County Commissioners	<u>(2,057,380)</u>
 NET CHANGE IN FUND BALANCE	 -
 FUND BALANCE, BEGINNING OF YEAR	 <u>-</u>
 FUND BALANCE, END OF YEAR	 <u><u>\$ -</u></u>

The accompanying notes are an integral part of the financial statements.

**TAX COLLECTOR
FLAGLER COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Charges for services	\$ 3,560,763	\$ 3,568,298	\$ 4,084,067	\$ 515,769
Miscellaneous revenue	-	-	7,773	7,773
TOTAL REVENUES	<u>3,560,763</u>	<u>3,568,298</u>	<u>4,091,840</u>	<u>523,542</u>
EXPENDITURES				
Current				
General government				
Personal services	1,640,772	1,752,542	1,648,379	104,163
Operating expenses	331,094	337,769	382,521	(44,752)
Capital outlay	-	3,560	3,560	-
TOTAL EXPENDITURES	<u>1,971,866</u>	<u>2,093,871</u>	<u>2,034,460</u>	<u>59,411</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,588,897</u>	<u>1,474,427</u>	<u>2,057,380</u>	<u>582,953</u>
OTHER FINANCING USES				
Reversion to Board of County Commissioners	(1,588,897)	(1,474,427)	(2,057,380)	(582,953)
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, BEGINNING OF YEAR	-	-	-	-
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

**TAX COLLECTOR
FLAGLER COUNTY, FLORIDA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
SEPTEMBER 30, 2008**

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 2,002,100
Accounts receivable	50,756
Total assets	<u>\$ 2,052,856</u>
LIABILITIES	
Accrued liabilities	\$ 66,187
Due to Board of County Commissioners	83,751
Due to other governments	129,968
Installment taxes	<u>1,772,950</u>
TOTAL LIABILITIES	<u>\$ 2,052,856</u>

The accompanying notes are an integral part of the financial statements.

**TAX COLLECTOR
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following is a summary of significant accounting policies of the Flagler County Tax Collector (the Tax Collector).

a) **Reporting Entity** - The Governmental Accounting Standards Board (GASB) in its Statement No. 14, "The Financial Reporting Entity," as amended by GASB 39, "Determining Whether Certain Organizations Are Component Units an Amendment to GASB Statement 14", which establishes standards for defining the financial reporting entity. In developing these standards, the GASB assumed that all governmental organizations are responsible to elected officials at the federal, state, or local level. Financial reporting by a state or local government should report the elected officials' accountability for those organizations.

The Tax Collector, as established by Article VIII of the Constitution of the State of Florida, is an elected official of the County. Although the Tax Collector's office is operationally autonomous from the Board of County Commissioners, it does not hold sufficient corporate powers of its own to be considered a legally separate entity for financial reporting purposes. Therefore, the Tax Collector is reported as a part of the primary government of Flagler County, Florida. The Tax Collector's special-purpose financial statements do not purport to reflect the financial position or the changes in financial position of Flagler County, Florida, taken as a whole.

These special-purpose financial statements of the Tax Collector are issued separately to comply with Section 10.557(5) *Rules of the Auditor General for Local Governmental Entity Audits*, pursuant to Section 218.39(2), *Florida Statutes*.

The financial activities of the Tax Collector, as a constitutional officer, are included in the basic financial statements of Flagler County, Florida.

b) **Measurement Focus, Basis of Accounting, and Basis of Presentation** - Fund financial statements report detailed information about the Tax Collector. The focus of fund financial statements is on major funds. For the year ended September 30, 2008, the Tax Collector reported the General Fund as a major fund.

Governmental funds are accounted for using the flow of current financial resources measurement focus. Only current assets and current liabilities, generally, are included on the balance sheet. Operating statements for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The Tax Collector reports the following governmental fund type:

General Fund - The General Fund of the Tax Collector is used to account for all financial resources which are generated from operations of the Tax Collector's office, appropriations from the Board of County Commissioners, and any other resources not required to be accounted for in another fund.

**TAX COLLECTOR
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

The modified accrual basis of accounting is used by governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available to finance liabilities of the current fiscal year). For this purpose, the Tax Collector considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences, which are recognized as expenditures to the extent they have matured.

Interest income and other revenue are recognized as they are earned and become measurable and available to pay liabilities of the current period.

Capital outlays expended in governmental fund operations are capitalized in the basic financial statements of Flagler County, Florida rather than in the governmental funds of the Tax Collector.

Additionally, the Tax Collector reports the following fund type:

Agency Funds - The Agency Funds of the Tax Collector are used to account for assets held by the Tax Collector as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of changes in financial position.

c) **Cash and Cash Equivalents** - The Tax Collector's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from acquisition date.

d) **Compensated Absences** - Earned leave time is determined by employees' length of service. Generally, the Tax Collector's policies allow limited vesting of unused employee leave time. Vacation and sick leave payments are included in operating costs when the payments are made to the employees. The Tax Collector does not, nor is she legally required to, accumulate financial resources for these unmatured obligations. Accordingly, the liability for compensated absences is not reported in the governmental funds, but rather is reported in the basic financial statements of Flagler County, Florida. Prior to April 1, 2005, the Tax Collector's policies did not provide for vesting of unused leave time.

e) **Use of Estimates** - The preparation of financial statements in accordance with GAAP, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reporting amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**TAX COLLECTOR
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

f) Property Tax Collections

Chapter 197, Florida Statutes, governs tax collections.

- **Current Taxes**

All property taxes become due and payable on November 1, and are delinquent on April 1 of the following year. Discounts of 4%, 3% and 1% are allowed for early payment in November through February, respectively.

- **Unpaid Taxes - Sale of Tax Certificates**

The Tax Collector advertises, as required by Florida Statutes, then sells tax certificates on all real property for unpaid taxes. Certificates not purchased are issued to the County. Any person owning real property upon which a tax certificate has been sold may reacquire the real property by paying the Tax Collector the face amount of the tax certificate plus interest and other costs.

- **Tax Deed**

The owner of a tax certificate may, after two years when the taxes have been delinquent (after April 1), file an application for tax deed sale. The County, as a certificate owner, may exercise similar procedures two years after taxes have been delinquent (after April 1). Tax deeds are issued to the highest bidder for the property, which is sold at public auction. The Clerk of the Circuit Court administers these sales.

2) BUDGETS AND BUDGETARY ACCOUNTING:

The preparation, adoption, and amendment of the budget are governed by Chapter 129, *Florida Statutes*. An annual budget is legally adopted for the General Fund and approved by the Florida Department of Revenue. All budget amounts presented have been adjusted for legally authorized amendments to the annual budget. Budget appropriations lapse at year-end. The fund is the legal level of control.

3) CHANGES IN LONG-TERM LIABILITIES:

A summary of changes in long-term liabilities for the Tax Collector as reported as part of the basic financial statements of Flagler County, Florida is as follows:

	Balance October 1, 2007	Additions	Deductions	Balance September 30, 2008	Due Within One Year
Compensated absences	\$ 41,610	\$ 47,884	\$ 30,857	\$ 58,637	\$ 58,637

Historically compensated absences have been liquidated by the general fund.

**TAX COLLECTOR
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

4) CHANGES IN CAPITAL ASSETS:

A summary of changes in capital assets for the Tax Collector as reported as part of the basic financial statements of Flagler County, Florida is as follows:

	Balance October 1, 2007	Additions	Deductions	Balance September 30, 2008
Governmental activities				
Equipment	\$ 304,734	\$ 3,560	\$ (83,535)	\$ 224,759
Less accumulated depreciation	(209,955)	(57,936)	83,535	(184,355)
Total governmental activities capital assets, net	<u>\$ 94,779</u>	<u>\$ (54,376)</u>	<u>\$ -</u>	<u>\$ 40,404</u>

For the year ended September 30, 2008, depreciation expense of \$57,936 was charged to the general government function in the basic financial statements of Flagler County, Florida.

5) PENSION PLANS:

Defined Benefit Pension Plan - The Tax Collector participates in the Florida Retirement System Pension Plan (Pension Plan), a cost-sharing multiple-employer public employee retirement system administered by the State of Florida Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. The Pension Plan issues a publicly available financial report that includes financial statements, ten-year historical trend information and other required supplementary information. That report may be obtained by writing to the:

State of Florida Division of Retirement
Department of Management Services
P.O. Box 9000
Tallahassee, FL 32315-9000

The Pension Plan provides for vesting of benefits after six years of creditable service. Regular members are eligible for normal retirement after six years of service and attaining age sixty-two, or thirty years of service regardless of age. Early retirement may be taken any time after completing six years of service, however, there is a five percent benefit reduction for each year prior to normal retirement. Generally, membership is compulsory for all full-time and part-time employees, except for elected county officials who may elect to not participate in the Florida Retirement System. Retirement coverage is employee noncontributory. The employer pays all contributions.

**TAX COLLECTOR
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

5) PENSION PLANS (continued):

The contribution rates are as follows:

	<u>October 1, 2007 - September 30, 2008</u>
Regular employees	9.85%
Elected county officials	16.53%
Deferred retirement option program Employees	10.91%

The contribution rate of current year-covered payroll is 10.85 percent. For the years ended September 30, 2008, 2007, and 2006, total contributions were \$125,219, \$112,357, and \$69,594, respectively. The Tax Collector made actual contributions equal to the actuarially determined required contributions each year.

Defined Contribution Pension Plan - As of June 1, 2002, the Florida Retirement System offers members the option of participating in the Florida Retirement System Investment Plan (Investment Plan), a defined contribution plan qualified under Section 401(a) of the Internal Revenue Code. The Investment Plan is administered by the State of Florida Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. The Investment Plan provides for vesting of benefits after one year of creditable service. Employees may make an election to participate in the Investment Plan instead of the Pension Plan. Existing employees may make the election beginning December 1, 2002. New employees may make the election within five months of their month of hire. Participants in the Investment Plan also have a one-time opportunity to switch back to the Pension Plan at any time by "buying back" into the Pension Plan. Retirement coverage is employee noncontributory. The employer pays all contributions. The rates for the Investment Plan are the same as the Pension Plan.

For the year ended September 30, 2008, all employees of the Tax Collector were participating in the Pension Plan.

6) DEPOSITS:

At year-end, the carrying amount of the Tax Collector's deposits was \$4,222,321 and the bank balances were \$5,273,827. Any balance in excess of FDIC insurance is covered by collateral held by the Tax Collector's custodial banks which is pledged to a state trust fund that provides security in accordance with the Florida Security for Public Deposits Act, Chapter 280, Florida Statutes.

**TAX COLLECTOR
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

6) DEPOSITS (continued):

The Florida Security for Public Deposits Act established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified public depository must pledge at least 50 percent of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125 percent, may be required, if deemed necessary under the conditions set forth in the Act. Obligations pledged to secure deposits must be delivered to the State Treasurer or, with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer. Under the Act, the pool may assess participating financial institutions on a pro rata basis to fund any shortfall in the event of the failure of a member institution.

7) DUE TO ENTITIES OF FLAGLER COUNTY:

At September 30, 2008, the amounts due to entities of Flagler County consists of the following:

Due to Board of County Commissioners	<u>\$ 2,137,708</u>
--------------------------------------	---------------------

The amount due to the Board of County Commissioners includes the reversion of \$2,057,380 of excess revenues over expenditures and other financing uses and is reported net of other amounts due from the board at September 30, 2008.

8) OPERATING LEASES:

The Tax Collector maintains one office lease with a maturity date of May 2009. Monthly rent expense ranges \$2,016 to \$2,423. Rent expense, under this lease for the year ended September 30, 2008, was \$30,734. The future minimum lease payments for the remaining terms are as follows:

Year ending September 30,	Amount
2009	<u>\$ 19,384</u>

**TAX COLLECTOR
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

9) RISK MANAGEMENT:

The Tax Collector is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Tax Collector carries commercial insurance. Settled claims resulting from the risks described above have not exceeded the insurance coverage during the previous three years.

The Tax Collector participates in the Flagler County risk management program. The Board of County Commissioners maintains a Group Medical Benefit Internal Service Fund for life and health insurance. During the current year, the Tax Collector remitted \$280,055 to the Board for insurance coverage. Information regarding the program's coverage, self-insurance reserves and program administration can be found in the basic financial statements of Flagler County for the year ended September 30, 2008.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF SPECIAL-
PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**



The Honorable Suzanne Johnston
Flagler County Tax Collector
Flagler County, Florida

8035 Spyglass Hill Road
Melbourne, FL 32940
321.757.2020
FAX 321.242.4844

We have audited the special-purpose financial statements of the major fund and the aggregate remaining fund information of the Tax Collector of Flagler County, Florida (the "Tax Collector") as of and for the year ended September 30, 2008, and have issued our report thereon dated February 6, 2009. 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

480 N. Orlando Ave.
Suite 218
Winter Park, FL 32789
407.644.5811
FAX 407.644.6022

In planning and performing our audit, we considered the Tax Collector's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tax Collector's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Tax Collector's internal control over financial reporting.

301 Clematis Street
Suite 3000
W. Palm Beach, FL 33401
561-837-6627
FAX 561-837-6632

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Tax Collector's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Tax Collector's special-purpose financial statements that is more than inconsequential will not be prevented or detected by the Tax Collector's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the special-purpose financial statements will not be prevented or detected by the Tax Collector's internal control

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Tax Collector's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of special-purpose 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 solely for the information and use of 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.

February 6, 2009
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

MANAGEMENT LETTER

The Honorable Suzanne Johnston
Flagler County Tax Collector
Flagler County, Florida



We have audited the special-purpose financial statements of the Tax Collector of Flagler County, Florida (the "Tax Collector") as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated February 6, 2009.

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. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in that report, which is dated February 6, 2009, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's report:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. There were no significant findings or recommendations made in the preceding annual financial audit report.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include 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 Tax Collector complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3, Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material, but, more than inconsequential. In connection with our audit, we did not have any such findings.

8035 Spyglass Hill Road
Melbourne, FL 32940
321.757.2020
FAX 321.242.4844

480 N. Orlando Ave.
Suite 218
Winter Park, FL 32789
407.644.5811
FAX 407.644.6022

301 Clematis Street
Suite 3000
W. Palm Beach, FL 33401
561-837-6627
FAX 561-837-6632

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- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.

- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the special-purpose financial statements. The Tax Collector was established by the Constitution of the State of Florida, Article VIII, Section 1(d). There were no component units related to the Tax Collector.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America requires us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General and applicable federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

February 6, 2009
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

**PROPERTY APPRAISER
FLAGLER COUNTY, FLORIDA
SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

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INDEPENDENT AUDITORS' REPORT

The Honorable James E. Gardner, Jr.
Flagler County Property Appraiser
Flagler County, Florida



We have audited the accompanying special-purpose financial statements of the major fund of the Property Appraiser of Flagler County, Florida, (the "Property Appraiser") as of and for the year ended September 30, 2008, as listed in the table of contents. These special-purpose financial statements are the responsibility of the management of the Property Appraiser. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

8035 Spyglass Hill Road
Melbourne, FL 32940
321.757.2020
FAX 321.242.4844

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Suite 218
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301 Clematis Street
Suite 3000
W. Palm Beach, FL 33401
561-837-6627
FAX 561-837-6632

www.bermanhopkins.com

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 special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special purpose financial statements. An audit also includes assessing the accounting principles used and 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 opinion.

As discussed in Note 1, the special-purpose financial statements referred to above have been prepared for the purpose of complying with, and on the basis of accounting practices specified by, the *Rules of the Auditor General*, State of Florida, and present only the financial position of the Property Appraiser at September 30, 2008, and the changes in financial position for the year then ended. They do not purport to, and do not, present fairly the financial position of Flagler County, Florida, as of September 30, 2008, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of the major fund of the Property Appraiser as of September 30, 2008, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the 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 a report dated February 19, 2009, on our consideration of the Property Appraiser's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the Property Appraiser, management, the Auditor General of the State of Florida and applicable regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties.

February 19, 2009
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

**PROPERTY APPRAISER
FLAGLER COUNTY, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUND
SEPTEMBER 30, 2008**

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 183,660
Due from other governments	686
TOTAL ASSETS	<u><u>\$ 184,346</u></u>
 LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 17,470
Accrued liabilities	15,647
Due to Board of County Commissioners	145,159
Due to other governments	6,070
TOTAL LIABILITIES	<u>184,346</u>
 FUND BALANCE	
Unreserved-undesignated	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 184,346</u></u>

The accompanying notes are an integral part of the financial statements.

**PROPERTY APPRAISER
FLAGLER COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	General Fund
REVENUES	
Charges for services	\$ 105,544
Miscellaneous revenue	27,112
TOTAL REVENUES	132,656
 EXPENDITURES	
Current	
General government	
Personal services	1,944,328
Operating expenses	239,109
TOTAL EXPENDITURES	2,183,437
 DEFICIENCY OF REVENUES UNDER EXPENDITURES	(2,050,781)
 OTHER FINANCING SOURCES (USES)	
Transfers in - Board of County Commissioners	2,203,738
Reversion to Board of County Commissioners	(152,957)
TOTAL OTHER FINANCING SOURCES	2,050,781
 NET CHANGE IN FUND BALANCE	-
 FUND BALANCE, BEGINNING OF YEAR	-
 FUND BALANCE, END OF YEAR	\$ -

The accompanying notes are an integral part of the financial statements.

**PROPERTY APPRAISER
FLAGLER COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Original Budget	Final Budget	Actual	Variance to Final Budget
REVENUES				
Charges for services	\$ 98,946	\$ 98,946	\$ 105,544	\$ 6,598
Miscellaneous revenue	-	-	27,112	27,112
TOTAL REVENUES	<u>98,946</u>	<u>98,946</u>	<u>132,656</u>	<u>33,710</u>
EXPENDITURES				
Current				
General government				
Personal services	2,167,922	2,091,901	1,944,328	147,573
Operating expenses	210,783	210,783	239,109	(28,326)
TOTAL EXPENDITURES	<u>2,378,705</u>	<u>2,302,684</u>	<u>2,183,437</u>	<u>119,247</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(2,279,759)</u>	<u>(2,203,738)</u>	<u>(2,050,781)</u>	<u>152,957</u>
OTHER FINANCING SOURCES (USES)				
Transfer in - Board of County Commissioners	2,279,759	2,203,738	2,203,738	-
Reversion to Board of County Commissioners	-	-	(152,957)	(152,957)
TOTAL OTHER FINANCING SOURCES	<u>2,279,759</u>	<u>2,203,738</u>	<u>2,050,781</u>	<u>(152,957)</u>
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCES, BEGINNING OF YEAR	-	-	-	-
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

**PROPERTY APPRAISER
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following is a summary of significant accounting policies of the Property Appraiser of Flagler County, Florida (the "Property Appraiser").

a) **Reporting Entity** - The Governmental Accounting Standards Board (GASB) in its Statement No. 14, "The Financial Reporting Entity," as amended by GASB 39, "Determining Whether Certain Organizations Are Component Units and Amendment to GASB Statement 14" establishes standards for defining the financial reporting entity. In developing these standards, the GASB assumed that all governmental organizations are responsible to elected officials at the federal, state, or local level. Financial reporting by a state or local government should report the elected officials' accountability for those organizations.

The Property Appraiser, as established by Article VIII of the Constitution of the State of Florida, is an elected official of the County. Although the Property Appraiser's office is operationally autonomous from the Board of County Commissioners, it does not hold sufficient corporate powers of its own to be considered a legally separate entity for financial reporting purposes. Therefore, the Property Appraiser is reported as apart of the primary government of Flagler County, Florida. The Property Appraiser's special-purpose financial statements do not purport to reflect the financial position of the results of operations of Flagler County, Florida, taken as a whole.

These special-purpose financial statements of the Property Appraiser are issued separately to comply with Section 10.557(5) Rules of the Auditor General for Local Governmental Entity Audits, pursuant to Section 218.39(2), Florida Statutes.

The financial activities of the Property Appraiser, as a constitutional officer, are included in the basic financial statements of Flagler County, Florida.

b) **Measurement Focus, Basis of Accounting, and Basis of Presentation** - Fund financial statements report detailed information about the Property Appraiser. The focus of fund financial statements is on major funds. For the year ended September 30, 2008, the Property Appraiser reported the General Fund as a major fund.

Governmental funds are accounted for using the flow of current financial resources measurement focus. Only current assets and current liabilities, generally, are included on the balance sheet. Operating statements for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The Property Appraiser reports the following governmental fund type:

General Fund - The General Fund of the Property Appraiser is used to account for all financial resources which are generated from operations of the Property Appraiser's office, appropriations from the Board of County Commissioners, and any other resources not required to be accounted for in another fund.

**PROPERTY APPRAISER
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

b) Measurement Focus, Basis of Accounting, and Basis of Presentation (continued)

The modified accrual basis of accounting is used by governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available to finance liabilities of the current fiscal year). For this purpose, the Property Appraiser considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences, which are recognized as expenditures to the extent they have matured.

Interest income and other revenue are recognized as they are earned and become measurable and available to pay liabilities of the current period.

Capital outlays expended in governmental fund operations are capitalized in the basic financial statements of Flagler County, Florida rather than in the governmental funds of the Property Appraiser.

c) Cash and Cash Equivalents - The Property Appraiser's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from acquisition date.

d) Compensated Absences - Earned leave time is determined by employees' length of service. Generally, the Property Appraiser's policies allow limited vesting of unused employee leave time. Vacation and sick leave payments are included in operating costs when the payments are made to the employees. The Property Appraiser does not, nor is he legally required to, accumulate financial resources for these unmatured obligations. Accordingly, the liability for compensated absences is not reported in the governmental funds of the Property Appraiser, but rather is reported in the basic financial statements of Flagler County, Florida.

2) BUDGETS AND BUDGETARY ACCOUNTING:

The preparation, adoption, and amendment of the budget are governed by Chapter 129, Florida Statutes. An annual budget is legally adopted for the General Fund. The fund is the legal level of control.

An annual budget is legally adopted for the General Fund and approved by the Florida Department of Revenue. All budget amounts presented have been adjusted for legally authorized amendment of the annual budget. Budget appropriations lapse at year-end.

**PROPERTY APPRAISER
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

3) CHANGES IN LONG-TERM LIABILITIES:

A summary of changes in long-term liabilities for the Property Appraiser as reported as part of the basic financial statements of Flagler County, Florida is as follows:

	Balance October 1, 2007	Additions	Deductions	Balance September 30, 2008	Due within one year
Compensated Absences	\$ 54,507	\$ 91,831	\$ 83,525	\$ 62,813	\$ 62,813

Historically compensated absences have been liquidated by the general fund.

4) CHANGES IN CAPITAL ASSETS:

A summary of changes in capital assets for the Property Appraiser as reported as part of the basic financial statements of Flagler County, Florida is as follows:

	Balance October 1, 2007	Increases	Decreases	Balance September 30, 2008
Governmental Activities:				
Equipment	\$ 485,089	\$ 13,108	\$ (73,855)	\$ 424,342
Less accumulated depreciation	(388,920)	(46,539)	73,855	(361,604)
Total governmental activities capital assets, net	\$ 96,169	\$ (33,431)	\$ -	\$ 62,738

For the year ended September 30, 2008, depreciation expense of \$46,539 was charged to the general government function in the basic financial statements of Flagler County, Florida.

5) PENSION PLANS:

Defined Benefit Pension Plan - The Property Appraiser participates in the Florida Retirement System Pension Plan (Pension Plan), a cost-sharing multiple-employer public employee retirement system administered by the State of Florida Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. The Pension Plan issues a publicly available financial report that includes financial statements, ten-year historical trend information and other required supplementary information. That report may be obtained by writing to the:

State of Florida Division of Retirement
Department of Management Services
P.O. Box 9000
Tallahassee, Florida 32315-9000

**PROPERTY APPRAISER
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

5) PENSION PLANS (continued):

The Pension Plan provides vesting of benefits after six years of creditable service. Regular members are eligible for normal retirement after six years of service and attaining age sixty-two, or thirty years of service regardless of age. Early retirement may be taken any time after completing six years of service; however, there is a five percent benefit reduction for each year prior to normal retirement. Generally, membership is compulsory for all full-time and part-time employees, except for elected county officials who may elect not to participate in the Florida Retirement System. Retirement coverage is employee noncontributory. The employer pays all contributions. The contribution rates are as follows:

	<u>October 1, 2007 - September 30, 2008</u>
Regular employees	9.85%
Elected county officials	16.53%
Senior management	13.12%
Deferred retirement option program Employees	10.91%

The contribution rate of current year-covered payroll is 11.38 percent. For the years ended September 30, 2008, 2007 and 2006, total contributions were \$147,052, \$135,653 and \$100,296, respectively. The Property Appraiser made actual contributions equal to the actuarially determined required contributions each year.

Defined Contribution Pension Plan - As of June 1, 2002, the Florida Retirement System offers members the option of participating in the Florida Retirement System Investment Plan (Investment Plan), a defined contribution plan qualified under Section 401(a) of the Internal Revenue Code. The Investment Plan is administered by the State of Florida Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions.

The Investment Plan provides vesting of benefits after one year of creditable service. Employees may make an election to participate in the Investment Plan instead of the Pension Plan. Existing employees may make the election beginning December 1, 2002. New employees may make the election within five months of their date of hire. Participants in the Investment Plan also have a one-time opportunity to switch back to the Pension Plan at any time by "buying back" into the Pension Plan. Retirement coverage is employee noncontributory. The employer pays all contributions. The rates for the Investment Plan are the same as the Pension Plan.

For the year ended September 30, 2008, one employee of the Property Appraiser was participating in the Investment Plan, and the remaining employees were participating in the Pension Plan.

**PROPERTY APPRAISER
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

6) DEPOSITS:

At year-end, the carrying amount of the Property Appraiser's deposits was \$183,660, and the bank balances were \$169,258. Any balance in excess of FDIC insurance is covered by collateral held by the Property Appraiser's custodial banks which is pledged to a state trust fund provides security in accordance with the Florida Security for Public Deposits Act, Chapter 280, Florida Statutes.

The Florida Security for Public Deposits Act established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified public, depository must pledge at least 50 percent of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125 percent, may be required, if deemed necessary under the conditions set forth in the Act. Obligations pledged to secure deposits must be delivered to the State Treasurer or, with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer. Under the Act, the pool may access participating financial institutions on a pro rata basis to fund any shortfall in the event of the failure of a member institution.

7) DUE FROM/TO ENTITIES OF FLAGLER COUNTY:

At September 30, 2008, the amounts due to/from entities of Flagler County consists of the following:

Board of County Commissioners	<u><u>\$ 145,159</u></u>
-------------------------------	--------------------------

The amount due to the Board of County Commissioners includes the reversion of \$152,957 of excess revenues and other financing sources over expenditures and is reported net of other amounts due from the Board at September 30, 2008.

8) OPERATING LEASES:

The Property Appraiser has three vehicle operating leases. The leases expire at varying dates from July 31, 2008 to August 14, 2012. Monthly payments range from \$352 to \$166. Lease expense for the year ended September 30, 2008 was \$18,541. The future minimum lease payments for the next four years are as follows:

Year Ending September 30,	Amount
2009	\$ 19,924
2010	15,949
2011	10,590
2012	5,238
	\$ 51,701

**PROPERTY APPRAISER
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

9) RISK MANAGEMENT:

The Property Appraiser is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Property Appraiser carries commercial insurance. Settled claims resulting from the risks described above have not exceeded the insurance coverage during the previous three years.

The Property Appraiser participates in the Flagler County risk management program. The Board of County Commissioners maintains a Group Medical Benefit Internal Service Fund for life and health insurance. During the current year, the Property Appraiser remitted \$321,984 to the Board for insurance coverage. Information regarding the program's coverage, self-insurance reserves and program administration can be found in the special-purpose financial statements of the Flagler County Board of County Commissioners for the year ended September 30, 2008.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF SPECIAL-
PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**



The Honorable James E. Gardner, Jr.
Flagler County Property Appraiser
Flagler County, Florida

We have audited the special-purpose financial statements of the major fund of the Property Appraiser of Flagler County, Florida (the "Property Appraiser") as of and for the year ended September 30, 2008, and have issued our report thereon dated February 19, 2009. 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.

8035 Spyglass Hill Road
Melbourne, FL 32940
321.757.2020
FAX 321.242.4844

Internal Control Over Financial Reporting

480 N. Orlando Ave.
Suite 218
Winter Park, FL 32789
407.644.5811
FAX 407.644.6022

In planning and performing our audit, we considered the Property Appraiser's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Property Appraiser's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Property Appraiser's internal control over financial reporting.

301 Clematis Street
Suite 3000
W. Palm Beach, FL 33401
561-837-6627
FAX 561-837-6632

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Property Appraiser's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Property Appraiser's special-purpose financial statements that is more than inconsequential will not be prevented or detected by the Property Appraiser's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the special-purpose financial statements will not be prevented or detected by the Property Appraiser's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Property Appraiser's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of special-purpose 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 solely for the information and use of the 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.

February 19, 2009
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

MANAGEMENT LETTER

The Honorable James E. Gardner, Jr.
Flagler County Property Appraiser
Flagler County, Florida



We have audited the special-purpose financial statements of the Property Appraiser of Flagler County, Florida (the "Property Appraiser") as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated February 19, 2009.

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. We have issued our Report on Compliance and Internal Control over Financial Reporting. Disclosures in that report, which is dated February 19, 2009, should be considered in conjunction with this management letter.

Additionally, our audit was conducted 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 and, unless otherwise required to be reported in the report on compliance and internal controls or schedule of findings and questioned costs, this letter is required to include the following information.

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant 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
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include 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 Property Appraiser complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3, Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not have any such recommendations.

8035 Spyglass Hill Road
Melbourne, FL 32940
321.757.2020
FAX 321.242.4844

480 N. Orlando Ave.
Suite 218
Winter Park, FL 32789
407.644.5811
FAX 407.644.6022

301 Clematis Street
Suite 3000
W. Palm Beach, FL 33401
561-837-6627
FAX 561-837-6632

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- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the special-purpose financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the special-purpose financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred and would have an immaterial effect on the special-purpose financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the special-purpose financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the special-purpose financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the special-purpose financial statements. The Property Appraiser was established by the Constitution of the State of Florida, Article VIII, Section I(d). There were no component units related to the Property Appraiser.

This management letter is intended solely for the information and use management, the Auditor General of the State of Florida and applicable regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties.

February 19, 2009
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

SUPERVISOR OF ELECTIONS
FLAGLER COUNTY, FLORIDA
SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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INDEPENDENT AUDITORS' REPORT

The Honorable Peggy Rae Border
Flagler County Supervisor of Elections
Flagler County, Florida



We have audited the accompanying special-purpose financial statements of the major fund of the Supervisor of Elections of Flagler County, Florida, (the "Supervisor of Elections") as of and for the year ended September 30, 2008, as listed in the table of contents. These special-purpose financial statements are the responsibility of the management of the Supervisor of Elections. Our responsibility is to express an opinion on these special-purpose 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 special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special purpose financial statements. An audit also includes assessing the accounting principles used and 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 opinion.

As discussed in Note 1, the special-purpose financial statements referred to above have been prepared for the purpose of complying with, and on the basis of accounting practices specified by, the *Rules of the Auditor General*, State of Florida, and present only the financial position of the Supervisor of Elections at September 30, 2008, and the changes in financial position for the year then ended. They do not purport to, and do not, present fairly the financial position of Flagler County, Florida, as of September 30, 2008, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of the major fund of the Supervisor of Elections as of September 30, 2008, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

8035 Spyglass Hill Road
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FAX 321.242.4844

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In accordance with *Government Auditing Standards*, we have also issued a report dated May 12, 2009, on our consideration of the Supervisor of Elections' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the Supervisor of Elections, management, the Auditor General of the State of Florida, and applicable regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

May 12, 2009
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

**SUPERVISOR OF ELECTIONS
 FLAGLER COUNTY, FLORIDA
 BALANCE SHEET - GOVERNMENTAL FUND
 SEPTEMBER 30, 2008**

	<u>General Fund</u>
ASSETS	
Cash	<u>\$ 14,278</u>
 LIABILITIES AND FUND BALANCE	
LIABILITIES:	
Accounts payable	\$ 2,872
Accrued liabilities	1,413
Due to Board of County Commissioners	4,409
Deferred revenue	<u>5,584</u>
TOTAL LIABILITIES	<u>14,278</u>
 Fund balance:	
Unreserved - undesignated	<u>-</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 14,278</u></u>

The accompanying notes are an integral part of the financial statements.

**SUPERVISOR OF ELECTIONS
 FLAGLER COUNTY, FLORIDA
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 GOVERNMENTAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>General Fund</u>
REVENUES	
Intergovernmental	\$ 31,319
Charges for services	26,974
Miscellaneous revenue	<u>1,108</u>
TOTAL REVENUES	<u>59,401</u>
EXPENDITURES:	
Current:	
General government:	
Personal services	452,136
Operating expenses	211,164
Capital outlay	<u>9,433</u>
TOTAL EXPENDITURES	<u>672,733</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(613,332)</u>
OTHER FINANCING SOURCES (USES):	
Transfers in-Board of County Commissioners	617,969
Reversion to Board of County Commissioners	<u>(4,637)</u>
TOTAL OTHER FINANCING SOURCES	<u>613,332</u>
NET CHANGE IN FUND BALANCE	-
FUND BALANCE, BEGINNING OF YEAR	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ -</u></u>

The accompanying notes are an integral part of the financial statements.

**SUPERVISOR OF ELECTIONS
FLAGLER COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Original Budget	Final Budget	Actual	Variance to Final Budget
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 31,319	\$ 31,319
Charges for services	-	-	26,974	26,974
Miscellaneous revenue	-	-	1,108	1,108
TOTAL REVENUES	-	-	59,401	59,401
EXPENDITURES:				
Current:				
General government:				
Personal services	481,189	465,389	452,136	13,253
Operating expenses	133,780	143,080	211,164	(68,084)
Capital outlay	3,000	9,500	9,433	67
TOTAL EXPENDITURES	617,969	617,969	672,733	(54,764)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(617,969)	(617,969)	(613,332)	4,637
OTHER FINANCING SOURCES (USES):				
Transfers in - Board of County Commissioners	617,969	617,969	617,969	-
Reversions to Board of County Commissioners	-	-	(4,637)	(4,637)
	617,969	617,969	613,332	(4,637)
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, BEGINNING OF YEAR	-	-	-	-
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of the financial statements.

**SUPERVISOR OF ELECTIONS
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following is a summary of significant accounting policies of the Supervisor of Elections of Flagler County, Florida (the "Supervisor of Elections").

a) **Reporting Entity** - The Governmental Accounting Standards Board (GASB) in its Statement No. 14, "The Financial Reporting Entity," as amended by GASB 39, "Determining Whether Certain Organizations Are Component Units an Amendment to GASB Statement 14", establishes standards for defining the financial reporting entity. In developing these standards, the GASB assumed that all governmental organizations are responsible to elected officials at the federal, state, or local level. Financial reporting by a state or local government should report the elected officials' accountability for those organizations.

The Supervisor of Elections, as established by Article VIII of the Constitution of the State of Florida, is an elected official of the County. Although the Supervisor of Elections' office is operationally autonomous from the Board of County Commissioners, it does not hold sufficient corporate powers of its own to be considered a legally separate entity for financial reporting purposes. Therefore, the Supervisor of Elections is reported as a part of the primary government of Flagler County, Florida. The Supervisor of Elections' special-purpose financial statements do not purport to reflect the financial position or the results of operations of Flagler County, Florida, taken as a whole.

These special-purpose financial statements of the Supervisor of Elections are issued separately to comply, with Section 10.557(5) *Rules of the Auditor General for Local Governmental Entity Audits*, pursuant to Section 218.39(2), *Florida Statutes*.

The financial activities of the Supervisor of Elections, as a constitutional officer, are included in the basic financial statements of Flagler County, Florida.

b) **Measurement Focus, Basis of Accounting, and Basis of Presentation** - Fund financial statements report detailed information about the Supervisor of Elections. The focus of fund financial statements is on major funds. For the year ended September 30, 2008, the Supervisor of Elections reported the general fund as a major fund.

Governmental funds are accounted for using the flow of current financial resources measurement focus. Only current assets and current liabilities, generally, are included on the balance sheet. Operating statements for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The Supervisor of Elections reports the following governmental fund type:

General Fund - The General Fund of the Supervisor of Elections is used to account for all financial resources which are generated from operations of the Supervisor of Elections' office, appropriations from the Board of County Commissioners, or any other resources not required to be accounted for in another fund.

**SUPERVISOR OF ELECTIONS
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

The modified accrual basis of accounting is used by governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available to finance liabilities of the current fiscal year). For this purpose, the Supervisor of Elections considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences, which are recognized as expenditures to the extent they have matured.

Interest income and other revenue are recognized as they are earned and become measurable and available to pay liabilities of the current period.

Capital outlays expended in governmental fund operations are capitalized in the basic financial statements of Flagler County, Florida rather than in the governmental funds of the Supervisor of Elections.

c) **Cash and Cash Equivalents** - The Supervisor of Elections' cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less.

d) **Compensated Absences** - Earned leave time is determined by employees' length of service. Generally, the Supervisor of Elections' policies allow limited vesting of unused employee leave time. Vacation and sick leave payments are included in operating costs when the payments are made to the employees. The Supervisor of Elections does not, and is not legally required to, accumulate financial resources for these unmatured obligations. Accordingly, the liability for compensated absences is not reported in the governmental funds of the Supervisor of Elections, but rather is reported in the basic financial statements of Flagler County, Florida.

e) **Use of Estimates** - The preparation of financial statements in accordance with GAAP, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reporting amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2) BUDGETS AND BUDGETARY ACCOUNTING:

The preparation, adoption, and amendment of the budget are governed by Chapter 129, Florida Statutes. An annual budget is legally adopted for the general fund and approved by the Board of County Commissioners. All budget amounts presented have been adjusted for legally authorized amendments of the annual budget. The fund is the legal level of control. Budget appropriations lapse at year-end. Actual expenditures exceeded budgeted appropriations by \$54,764.

**SUPERVISOR OF ELECTIONS
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

3) CHANGES IN LONG-TERM LIABILITIES:

A summary of changes in long-term liabilities for the Supervisor of Elections as reported as part of the basic financial statements of Flagler County, Florida is as follows:

	Balance October 1, 2007	Additions	Deductions	Balance September 30, 2008	Due Within One Year
Compensated absences	\$ 7,396	\$ 14,954	\$ 13,811	\$ 8,539	\$ 8,539

Historically compensated absences have been liquidated by the general fund.

4) CHANGES IN CAPITAL ASSETS:

A summary of changes in capital assets for the Supervisor of Elections as reported as part of the basic financial statements of Flagler County, Florida is as follows:

	Balance October 1, 2007	Additions	Deductions	Balance September 30, 2008
Governmental Activities				
Equipment	\$ 571,032	\$ 12,733	\$ (17,684)	\$ 566,081
Less accumulated depreciation	(512,648)	(54,118)	17,684	(549,082)
Total governmental activities capital assets, net	\$ 58,384	\$ (41,385)	\$ -	\$ 16,999

For the year ended September 30, 2008, depreciation expense of \$54,118 was charged to the general government function in the basic financial statements of Flagler County, Florida.

5) PENSION PLANS:

Defined Benefit Pension Plan - The Supervisor of Elections participates in the Florida Retirement System Pension Plan (Pension Plan), a cost-sharing multiple-employer public employee retirement system administered by the State of Florida Department of Administration, Division of Retirement, to provide retirement and survivor benefits to participating public employees Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. The Pension Plan issues a publicly available financial report that includes financial statements, ten-year historical trend information and other required supplementary information. That report may be obtained by writing to the:

State of Florida Division of Retirement
Department of Management Services
P.O. Box 9000
Tallahassee, FL 32315-9000

**SUPERVISOR OF ELECTIONS
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

5) PENSION PLANS (continued):

The Pension Plan provides vesting of benefits after six years of creditable service. Regular members are eligible for normal retirement after six years of service and attaining age sixty-two, or thirty years of service regardless of age. Early retirement may be taken any time after completing six years of service, however, there is a five percent benefit reduction for each year prior to normal retirement. Generally, membership is compulsory for all full-time and part-time employees, except for elected county officials who may elect to not participate in the Florida Retirement System. Retirement coverage is employee noncontributory. The employer pays all contributions. The contribution rates are as follows:

	<u>October 1, 2007 - September 30, 2008</u>
Regular employees	9.85%
Elected county officials	16.53%
Deferred retirement option program employees	10.91%

The contribution rate of current year covered payroll is 10.9 percent. For the years ended September 30, 2008, 2007 and 2006 total contributions were \$27,002, \$27,099, and \$25,711, respectively. The Supervisor of Elections made actual contributions equal to the actuarially determined required contributions for each year.

Defined Contribution Pension Plan - As of June 2002, the Florida Retirement System offers members the option of participating in the Florida Retirement System Investment Plan (Investment Plan), a defined contribution plan qualified under Section 401(a) of the Internal Revenue Code. The Investment Plan is administered by the State of Florida Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions.

The Investment Plan provides vesting of benefits after one year of creditable service. Employees may make an election to participate in the Investment Plan instead of the Pension Plan. Existing employees may make the election beginning December 1, 2002. New employees may make the election within five months from their month of hire. Participants in the Investment Plan also have a one-time opportunity to switch back to the Pension Plan at any time by "buying back" into the Pension Plan. Retirement coverage is employee noncontributory. The employer pays all contributions. The rates for the Investment Plan are the same as the Pension Plan.

For the year ended September 30, 2008, all employees of the Supervisor of Elections were participating in the Pension Plan.

**SUPERVISOR OF ELECTIONS
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

6) DEPOSITS:

At year-end, the carrying amount of the Supervisor of Elections' deposits was \$14,278 and the bank balances were \$24,029. Any balance in excess of FDIC insurance is covered by collateral held by the Supervisor of Elections' custodial banks which is pledged to a state trust fund that provides security in accordance with the Florida Security for Public Deposits Act, Chapter 280, Florida Statutes.

The Florida Security for Public Deposits Act established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified public depository must pledge at least 50 percent of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125 percent, may be required, if deemed necessary under the conditions set forth in the Act. Obligations pledged to secure deposits must be delivered to the State Treasurer or, with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer. Under the Act, the pool may assess participating financial institutions on a pro rata basis to fund any shortfall in the event of the failure of a member institution.

7) DUE TO ENTITIES OF FLAGLER COUNTY:

At September 30, 2008, the amounts due to entities of Flagler County consist of the following:

Board of County Commissioners	<u>\$ 4,409</u>
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The amount due to the Board of County Commissioners includes the reversion of \$4,637 excess revenues and other financing sources over expenditures and is reported net of other amounts due from the board at September 30, 2008.

8) OPERATING LEASE:

The Supervisor of Elections has two copier leases. The leases expires on September 12, 2011 and May 28, 2012. The monthly payment for both leases is \$123 each. The future minimum lease payments for the next four years are as follows:

Year ending September 30,	Amount
2009	\$ 2,952
2010	2,952
2011	2,829
2012	<u>984</u>
	<u>\$ 9,717</u>

**SUPERVISOR OF ELECTIONS
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

9) RISK MANAGEMENT:

The Supervisor of Elections is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Supervisor of Elections carries commercial insurance. Settled claims resulting from the risks described above have not exceeded the insurance coverage during the previous three years.

The Supervisor of Elections participates in the Flagler County risk management program. The Board of County Commissioners maintains a Group Medical Benefit Internal Service Fund for life and health insurance. During the current year, the Supervisor of Elections remitted \$85,209 to the Board for insurance coverage. Information regarding the program's coverage, self-insurance reserves and program administration can be found in the basic financial statements of Flagler County, Florida for the year ended September 30, 2008.

10) SUBSEQUENT EVENT:

Subsequent to September 30, 2008, Kimberle Weeks was elected the new Supervisor of Elections and succeeds Peggy Rae Border effective January 6, 2009.

Additionally, on April 27, 2009, the Supervisor of Elections was released from a purchase agreement for entered in by the Supervisor of Elections, prior to September 30, 2008. This purchase agreement was for approximately \$24,500 and was for the purchase of equipment.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF SPECIAL-PURPOSE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



The Honorable Peggy Rae Border
Flagler County Supervisor of Elections
Flagler County, Florida

We have audited the special-purpose financial statements of the major fund of the Supervisor of Elections of Flagler County, Florida (the "Supervisor of Elections") as of and for the year ended September 30, 2008, and have issued our report thereon dated May 12, 2009. 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.

8035 Spyglass Hill Road
Melbourne, FL 32940
321.757.2020
FAX 321.242.4844

Internal Control Over Financial Reporting

480 N. Orlando Ave.
Suite 218
Winter Park, FL 32789
407.644.5811
FAX 407.644.6022

In planning and performing our audit, we considered the Supervisor of Elections' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Supervisor of Elections' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Supervisor of Elections' internal control over financial reporting.

301 Clematis Street
Suite 3000
W. Palm Beach, FL 33401
561-837-6627
FAX 561-837-6632

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Supervisor of Elections' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Supervisor of Elections' special-purpose financial statements that is more than inconsequential will not be prevented or detected by the Supervisor of Elections' internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the special-purpose financial statements will not be prevented or detected by the Supervisor of Elections' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Supervisor of Elections' special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of special-purpose 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 solely for the information and use of the 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.

May 12, 2009
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

MANAGEMENT LETTER

The Honorable Peggy Rae Border
Flagler County Supervisor of Elections
Flagler County, Florida



We have audited the special-purpose financial statements of the Supervisor of Elections of Flagler County, Florida (the "Supervisor of Elections") as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated May 12, 2009.

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. We have issued our Report on Compliance and Internal Control over Financial Reporting. Disclosures in that report, which is dated May 12, 2009, should be considered in conjunction with this management letter.

Additionally, our audit was conducted 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 and, unless otherwise required to be reported in the report on compliance and internal controls or schedule of findings and questioned costs, this letter is required to include the following information.

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant 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.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include 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 Supervisor of Elections complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3, Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. Our recommendation is summarized in the attached Schedule of Management Recommendations.

8035 Spyglass Hill Road
Melbourne, FL 32940
321.757.2020
FAX 321.242.4844

480 N. Orlando Ave.
Suite 218
Winter Park, FL 32789
407.644.5811
FAX 407.644.6022

301 Clematis Street
Suite 3000
W. Palm Beach, FL 33401
561-837-6627
FAX 561-837-6632

- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the special-purpose financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the special-purpose financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred and would have an immaterial effect on the special-purpose financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the special-purpose financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the special-purpose financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the special-purpose financial statements. The Supervisor of Elections was established by the Constitution of the State of Florida, Article VIII, Section 1(d). There were no component units related to the Supervisor of Elections.

This management letter is intended solely for the information and use of management, the Auditor General of the State of Florida and applicable state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

May 12, 2009
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

**SUPERVISOR OF ELECTIONS
FLAGLER COUNTY, FLORIDA
MANAGEMENT RECOMMENDATIONS
SEPTEMBER 30, 2008**

Prior year recommendations:

None

Current year recommendations:

08-1 Budget Amendments

Criteria: Pursuant to Section 129, Florida Statutes, the Supervisor of Elections should not expend or contract for the expenditure in any fiscal year more than the amount budgeted in each fund's budget.

Condition: During the year, the General Fund's total expenditures exceeded budgeted appropriations by \$54,764.

Cause: The General Fund's budget did not reflect grant revenues and reimbursed charges for services or the related expenditures funded by these sources.

Effect: The General Fund exceeded the final amounts budgeted for the fiscal year and thus not in compliance with section 129, Florida Statutes.

Auditors' Recommendation: Management should review the budgets for each fund throughout the year and make the necessary adjustments in order to ensure that the Supervisor of Elections remains in compliance.

Response: This will be addressed in the future.