



FLAGLER COUNTY, FLORIDA ANNUAL FINANCIAL REPORT SEPTEMBER 30, 2007



Flagler County offers beach recreation

Spanning the length of the county, some of the finest beaches Florida has to offer are located here.

With 19 miles of available access, residents and visitors alike enjoy fishing, shelling, sailing, boating, swimming or just a simple walk along the water's edge at sunset in Flagler County.

Whether it's casting for blues, whiting, flounder or snapper at Varn Park or visiting the beachside boardwalk at the River to Sea Preserve for a majestic view of the beach and the ocean, every park has endless opportunities to enjoy a day in the sun. Manatees, baby sea turtles and North Atlantic Right Whales are just a few of nature's creatures that are seen off of local beaches during various times of the year.

County beach access parks include the Jungle Hut Road Park, Malacompra County Park and Old Salt Road Park, all in the Hammock; Varn Park, located in Beverly Beach; and the 90-acre River to Sea Preserve in Marineland.

All of the parks are open daily and feature parking and restrooms. Dune Walkovers are available for the public at Jungle Hut Road Park, Varn Park, Malacompra, and the River to Sea Preserve.

On the cover: Visitors enjoy the quiet beach at Varn Park for a morning of surf fishing.

Pictured here: The beachside boardwalk at the River to Sea Preserve in Marineland.



FLAGLER COUNTY, FLORIDA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

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Partners:

John R. Hopkins
James A. Wright, Jr.
James S. LaHam
Ross A. Whitley
W. Ed Moss
Phillip J. Hayes
Brian L. Nemeroff

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, 2007, 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.



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 and the reports of the other auditors provide a reasonable basis for our opinions.

BREVARD OFFICE

8035 Spyglass Hill Road
Melbourne, FL 32940

phone: 321.757.2020
fax: 321.242.4844

In our opinion, based on our audit and the reports of the other auditors, 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, 2007, 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.

ORLANDO OFFICE

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

phone: 407.644.5811
fax: 407.644.6022

As discussed in Note 1(e) to the financial statements, Flagler County implemented the retroactive reporting of infrastructure assets in accordance with GASB Statement No. 34 which requires a restatement of beginning net assets as of September 30, 2007. Accordingly, an adjustment has been made to report this information.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2008, 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 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 schedule of expenditures of federal awards and state financial assistance and the combining and individual fund statements and schedules 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.

April 21, 2008
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 of the County's financial activities for the fiscal year ended September 30, 2007. 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, 2007 (fiscal year end) by \$233,763,473 (net assets) for governmental activities, representing an increase of \$8,383,047.
- The amount reported as unrestricted net assets, \$12,729,343, increased \$4,082,795 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, 2007. 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-seven 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, the Road Impact Fee Fund- Palm Coast, and the Capital Projects 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 - 22 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 23 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 24 - 47 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	
	2006	2007	2006	2007	2006	2007
Current and Other Assets	\$ 106,091	\$ 73,206	\$ 1,853	\$ 4,347	\$ 107,944	\$ 77,553
Capital Assets	<u>150,020</u>	<u>268,427</u>	<u>14,187</u>	<u>13,914</u>	<u>164,207</u>	<u>282,341</u>
Total Assets	<u>256,111</u>	<u>341,633</u>	<u>16,040</u>	<u>18,261</u>	<u>272,151</u>	<u>359,894</u>
Non-current Liabilities	98,352	81,988	2,563	4,150	100,915	86,138
Other Liabilities	<u>23,019</u>	<u>25,881</u>	<u>426</u>	<u>698</u>	<u>23,445</u>	<u>26,579</u>
Total Liabilities	121,371	107,869	2,989	4,848	124,360	112,717
Net Assets:						
Invested in Capital Assets,						
Net of related debt	99,707	191,164	12,842	10,630	112,549	201,794
Restricted	26,386	29,871	2,520	2,866	28,906	32,737
Unrestricted	<u>8,647</u>	<u>12,729</u>	<u>(2,311)</u>	<u>(83)</u>	<u>6,336</u>	<u>12,646</u>
Total Net Assets	<u>\$ 134,740</u>	<u>\$ 233,764</u>	<u>\$ 13,051</u>	<u>\$ 13,413</u>	<u>\$ 147,791</u>	<u>\$ 247,177</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 \$247,176,812 as of the fiscal year ended September 30, 2007.

The largest reported amount of the County's net assets (eighty-two 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 to complied with this requirement in the current year. 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 (twelve 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.

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2006	2007	2006	2007	2006	2007
Revenues:						
Program Revenues:						
Charges for Services	\$ 16,624	\$ 15,462	\$ 3,759	\$ 5,210	\$ 20,383	\$ 20,672
Operating Grants and Contributions	1,811	1,661	793	575	2,604	2,236
Capital Grants and Contributions	13,367	3,590	1,083	472	14,450	4,062
General Revenues:						
Property Taxes	37,706	50,450	-	-	37,706	50,450
Other Taxes	7,046	6,800	38	101	7,084	6,901
Contributions	-	-	-	-	-	-
Miscellaneous	8,170	6,951	662	428	8,832	7,379
Total Revenues	84,724	84,914	6,335	6,786	91,059	91,700
Expenses:						
General Government	16,920	22,794	-	-	16,920	22,794
Public Safety	28,154	32,694	-	-	28,154	32,694
Physical environment	360	1,522	-	-	360	1,522
Transportation	4,661	5,941	-	-	4,661	5,941
Economic environment	1,659	1,774	-	-	1,659	1,774
Human Services	3,886	4,121	-	-	3,886	4,121
Culture and recreation	3,366	3,538	-	-	3,366	3,538
Interest/charges on long-term debt	3,472	4,004	-	-	3,472	4,004
Sanitary landfill	-	-	1,062	287	1,062	287
Airport	-	-	2,528	3,087	2,528	3,087
Utilities	-	-	523	627	523	627
Transportation	-	-	1,350	1,586	1,350	1,586
Waste Management	-	-	-	979	-	979
Total Expenses	62,478	76,388	5,463	6,566	67,941	82,954
Transfers	(237)	(142)	237	142	-	-
Increase in Net Assets	22,009	8,384	1,109	362	23,118	8,746
Net Assets, beginning	112,731	134,740	11,942	13,051	124,673	147,791
Prior period adjustment	-	90,640	-	-	-	90,640
Net Assets, ending	\$ 134,740	\$ 233,764	\$ 13,051	\$ 13,413	\$ 147,791	\$ 247,177

Prior year actual reflects a restatement of expenditures in the amount of \$3,403 from culture and recreation to general government.

Governmental activities

Governmental activities increased the County's net assets by \$8,383,047, an increase of four percent. Taxes and fees have been established to fund current operating needs in addition to other activities, debt repayment and asset acquisition in future years.

A major portion of this year's increase is the result of the collection of property taxes during the fiscal year without current expenditures. At the time these funds are expended certain expenditures, reduction of debt and additions to assets will be reflected in the financial report.

Business-type activities

Business-type activities increased the County's net assets in the amount of \$362,824, accounting for four percent of the total growth in the net assets of the County for the fiscal year ended September 30, 2007.

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, 2007, the County's governmental funds reported combined ending fund balances of \$50,357,733 a decrease of \$21,816,974. Unreserved and undesignated fund balance of \$9,109,707 in the general fund is available for spending at the County's discretion; \$30,749,500 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; \$26,036,191 is designated for legally restricted expenditures in accordance with the specific revenue sources; \$4,713,309 is designated for future capital projects.

The General Fund is the operating fund of the County. At September 30, 2007, unreserved fund balance of this fund was \$9,511,293 while the total fund balance amounted to \$12,674,764. 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 twelve percent of the total general fund expenditures and other financing uses.

The fund balance of the County's general fund increased by \$4,336,672 during the fiscal year ended September 30, 2007. The increase was primarily the result of a \$3,000,000 transfer from the County's Health Insurance Fund.

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 an unrestricted net asset deficit of \$82,599 at September 30, 2007.

Capital Asset and Debt Administration

The County's investment in capital assets for its governmental and business-type activities as of September 30, 2007 amounts to \$282,340,643 (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, 2007 was \$118,134,331 (\$118,407,497 net increase for governmental activities and a net decrease of \$273,166 for business-type activities).

Capital Assets

Additional information on the county's capital assets can be found in Notes 5 and 6 on pages 34 - 36 of this report.

Long-term debt

New debt issued during the fiscal year ended September 30, 2007 amounted to \$2,050,000.

Additional information on the County's debt can be found in Note 7 on pages 37 - 42 of this report.

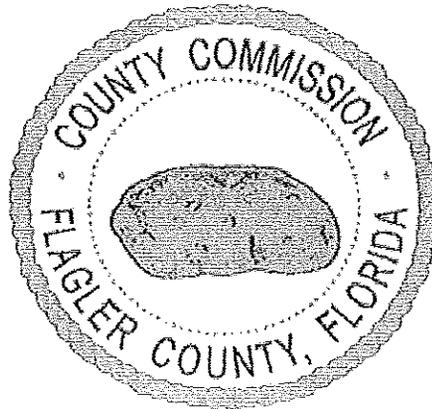
Economic Factors and Next year's Budgets and Rates

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

During fiscal year 2007, the Florida Legislature imposed restrictions on the ability of municipalities and counties to increase millage rates. 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, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 57,168,572	\$ 3,393,676	\$ 60,562,248
Restricted cash	-	2,613,331	2,613,331
Internal balances	2,337,912	(2,337,912)	-
Due from other governmental agencies	9,388,865	349,162	9,738,027
Receivables, net	1,180,211	272,772	1,452,983
Note receivable	1,737,590	-	1,737,590
Unamortized bond issuance costs	1,034,915	-	1,034,915
Inventory	252,675	56,099	308,774
Other assets	105,130	350	105,480
Capital Assets:			
Land and work in process	75,867,707	1,207,366	77,075,073
Capital assets being depreciated, net	192,559,473	12,706,097	205,265,570
Total capital assets, net of depreciation	268,427,180	13,913,463	282,340,643
Total Assets	341,633,050	18,260,941	359,893,991
LIABILITIES:			
Accounts payable and accrued expenses	9,106,197	431,180	9,537,377
Due to other governmental agencies	1,822,056	17,997	1,840,053
Deposits	1,372,087	56,977	1,429,064
Deferred revenue	1,118,644	550	1,119,194
Long-term liabilities:			
Due within one year:			
Notes and bonds payable	10,185,203	84,000	10,269,203
Compensated absences	1,816,389	107,470	1,923,859
Capital Leases	460,752	-	460,752
Due in more than one year:			
Notes and bonds payable	81,082,602	3,175,931	84,258,533
Compensated absences	394,986	284	395,270
Capital Leases	510,661	-	510,661
Payable from restricted cash:			
Landfill closure and postclosure care	-	973,213	973,213
Total Liabilities	107,869,577	4,847,602	112,717,179
NET ASSETS:			
Invested in capital assets, net of related debt	191,162,668	10,630,062	201,792,730
Restricted for:			
Debt service	8,671,059	-	8,671,059
Capital projects	14,757,344	1,831,454	16,588,798
Other purposes	6,443,059	1,034,422	7,477,481
Unrestricted	12,729,343	(82,599)	12,646,744
Total Net Assets	\$ 233,763,473	\$ 13,413,339	\$ 247,176,812

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

FLAGLER COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 22,794,132	\$ 8,163,603	\$ 224,822	\$ -	\$ (14,405,707)	\$ -	\$ (14,405,707)
Public Safety	32,693,617	7,040,215	660,515	134,339	(24,858,546)	-	(24,858,546)
Physical environment	1,521,490	702	-	-	(1,520,788)	-	(1,520,788)
Transportation	5,940,787	-	135,598	1,962,593	(3,842,596)	-	(3,842,596)
Economic environment	1,773,907	-	-	1,269,973	(503,934)	-	(503,934)
Human Services	4,121,870	199,094	549,355	-	(3,373,421)	-	(3,373,421)
Culture and recreation	3,537,779	58,130	90,991	222,707	(3,165,951)	-	(3,165,951)
Interest on long term debt	4,004,325	-	-	-	(4,004,325)	-	(4,004,325)
Total governmental activities	76,387,907	15,461,744	1,661,281	3,589,612	(55,675,270)	-	(55,675,270)
Business-type activities:							
Landfill	286,841	182	191,176	-	(95,483)	(95,483)	(95,483)
Airport	3,086,839	2,963,690	-	331,907	208,758	208,758	208,758
Utilities	626,751	477,731	-	23,620	(125,400)	(125,400)	(125,400)
Transportation	1,585,720	798,688	383,884	116,765	(286,383)	(286,383)	(286,383)
Waste management	979,644	969,535	-	-	(10,109)	(10,109)	(10,109)
Total business-type activities	6,565,795	5,209,826	575,060	472,292	(308,617)	(308,617)	(308,617)
Total primary government	\$ 82,953,702	\$ 20,671,570	\$ 2,236,341	\$ 4,061,904	(55,675,270)	(308,617)	(55,983,887)
General revenues:							
Property taxes	50,450,153	-	-	-	50,450,153	-	50,450,153
Tourist and franchise taxes	1,375,459	-	-	-	1,375,459	-	1,375,459
Sales and fuel taxes	5,424,451	-	-	-	5,424,451	-	5,424,451
Intergovernmental	1,517,433	-	-	-	1,517,433	-	1,517,433
Miscellaneous	5,432,983	-	-	-	5,432,983	-	5,432,983
Transfers	(141,862)	-	-	-	(141,862)	-	(141,862)
Total general revenues, special items, and transfers	64,058,317	671,441	-	-	64,058,317	671,441	64,729,758
Change in net assets	8,383,047	362,824	-	-	8,383,047	362,824	8,745,871
Net assets, beginning of year	134,740,438	13,050,515	-	-	134,740,438	13,050,515	147,790,953
Prior period adjustment, retroactive infrastructure reporting	90,639,988	-	-	-	90,639,988	-	90,639,988
Net assets, beginning balance as restated	225,380,426	13,050,515	-	-	225,380,426	13,050,515	238,430,941
Net assets, end of year	\$ 233,763,473	\$ 13,413,339	\$ -	\$ -	\$ 233,763,473	\$ 13,413,339	\$ 247,176,812

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

FLAGLER COUNTY, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007

	General Fund	Constitutional Gas Tax	Transportation Impact Fees East	Road Impact Fees-Palm Coast	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 12,988,193	\$ 6,812,832	\$ 685	\$ 1,845,775	\$ 3,303,479	\$ 28,557,623	\$ 61,608,587
Cash with fiscal agent	-	-	-	-	-	1,915,735	1,915,735
Accounts receivable (net of allowance for uncollectibles)	1,044,316	14,004	-	-	18,029	4,807	1,081,156
Notes receivable	1,737,590	-	-	-	-	-	1,737,590
Due from other funds	3,174,089	28,077	355,944	80,000	2,366,647	415,300	6,420,057
Due from other governments	1,787,565	1,458,693	3,045,820	2,182,396	833	908,703	9,384,010
Inventory	252,675	-	-	-	-	-	252,675
Other assets	60,618	44,162	-	-	-	350	105,130
TOTAL ASSETS	\$ 21,045,046	\$ 8,357,768	\$ 3,402,449	\$ 4,108,171	\$ 5,688,988	\$ 29,802,518	\$ 72,404,940
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Accounts payable and accrued liabilities	\$ 2,768,469	\$ 771,048	\$ 3	\$ 101	\$ 2,999,820	\$ 537,876	\$ 7,077,317
Deposits	1,213,574	-	-	-	-	145,800	1,359,374
Due to other funds	476,242	-	80,000	-	118,369	3,407,873	4,082,484
Due to other governments	1,123,484	21,283	-	-	89,832	214,209	1,448,808
Deferred revenue	2,788,613	-	3,045,820	2,182,396	-	62,495	8,079,224
TOTAL LIABILITIES	8,370,282	792,331	3,125,823	2,182,497	3,208,021	4,368,253	22,047,207
Fund balances:							
Reserved for growth impact	165,398	-	-	-	-	-	165,398
Reserved for advances	2,519,851	-	-	-	-	-	2,519,851
Reserved for debt service	-	-	-	-	-	6,933,469	6,933,469
Reserved for capital outlay	478,222	-	-	-	-	-	478,222
Unreserved Designated for future use	401,585	-	-	-	-	-	401,585
Unreserved-undesignated	9,109,708	7,565,437	276,626	1,925,674	2,480,967	-	21,358,412
Unreserved-undesignated, reported in nonmajor:							
Special revenue funds	-	-	-	-	-	16,268,454	16,268,454
Capital projects funds	-	-	-	-	-	2,232,342	2,232,342
TOTAL FUND BALANCES	12,674,784	7,565,437	276,626	1,925,674	2,480,967	25,434,265	50,357,733
TOTAL LIABILITIES AND FUND BALANCES	\$ 21,045,046	\$ 8,357,768	\$ 3,402,449	\$ 4,108,171	\$ 5,688,988	\$ 29,802,518	\$ 72,404,940

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, 2007

Total fund balances- governmental funds \$ 50,357,733

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	323,581,694	
Accumulated depreciation	(55,154,514)	
		268,427,180

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

Bonds payable	(90,305,676)	
Compensated absences	(2,211,375)	
Capital leases payable	(971,413)	
		(93,488,464)

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		(962,131)
Unamortized bond issuance costs		1,034,915
Special assessment note receivable, not recognized in fund levels due to expected collection in future years previously recognized as revenue on County-wide statements		1,737,590
Grants receivable in more than one year		5,250,004
Accrued interest payable		(864,142)

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.

2,270,788

Net assets of governmental activities \$ 233,763,473

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, 2007

	General Fund	Constitutional Gas Tax	Transportation Impact Fees East	Road Impact Fees Palm Coast	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:							
Taxes	\$ 49,327,659	\$ -	\$ -	\$ -	\$ -	\$ 4,348,472	\$ 53,676,131
Special assessments	-	-	-	-	-	1,036,537	1,036,537
Licenses and permits	44,993	-	-	-	-	675,703	720,696
Intergovernmental	3,864,124	2,067,592	-	1,312,500	-	3,289,990	10,534,206
Charges for services	9,392,059	-	-	-	-	4,380,245	13,772,304
Fines and forfeitures	144,243	-	-	-	-	824,501	968,744
Miscellaneous revenue	2,585,782	558,780	9,040	49,965	747,362	2,105,402	6,056,331
TOTAL REVENUES	65,358,860	2,626,372	9,040	1,362,465	747,362	16,660,850	86,764,949
EXPENDITURES:							
Current:							
General government	16,674,507	-	-	-	24,267,592	1,744,816	42,686,915
Public safety	32,713,752	-	-	-	55,601	1,539,469	34,308,822
Physical environment	430,834	-	-	-	-	1,240,669	1,671,503
Transportation	-	1,881,042	125,685	113,065	-	4,991,773	7,111,565
Economic environment	278,804	-	-	-	-	2,031,643	2,310,447
Human services	3,932,045	-	-	-	-	194,638	4,126,683
Culture and recreation	3,564,301	19,512	-	-	145,237	312,664	4,041,714
Court related	1,478,947	-	-	-	-	4,854,227	6,333,174
Debt service:							
Principal retirement	1,691,620	-	-	-	-	3,183,525	4,875,145
Interest and fiscal charges	862,308	291,681	-	-	499	3,210,846	4,365,334
TOTAL EXPENDITURES	61,627,118	2,192,235	125,685	113,065	24,468,929	23,304,270	111,831,302
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,731,742	434,137	(116,645)	1,249,400	(23,721,567)	(6,643,420)	(25,066,353)
OTHER FINANCING SOURCES (USES):							
Transfers in	3,080,035	-	241,817	-	-	4,164,698	7,486,550
Transfers out	(4,379,380)	-	-	-	-	(640,329)	(5,019,709)
Capital lease proceeds	782,538	-	-	-	-	-	782,538
TOTAL OTHER FINANCING SOURCES (USES)	(516,807)	-	241,817	-	-	3,524,369	3,249,379
NET CHANGE IN FUND BALANCE	3,214,935	434,137	125,172	1,249,400	(23,721,567)	(3,119,051)	(21,816,974)
FUND BALANCES, BEGINNING OF YEAR	9,459,829	7,131,300	151,454	676,274	26,202,534	28,553,316	72,174,707
FUND BALANCES, END OF YEAR	\$ 12,674,764	\$ 7,565,437	\$ 276,626	\$ 1,925,674	\$ 2,480,967	\$ 25,434,265	\$ 50,357,733

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, 2007

Net change in fund balances- total governmental activities \$ (21,816,974)

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	35,474,957	
Current year depreciation	(7,550,015)	
Loss on disposal of fixed assets	(161,228)	
Contributions of capital assets	3,797	
	27,767,511	27,767,511

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	4,875,145	
Capital lease proceeds	(782,538)	
	4,092,607	4,092,607

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. (1,312,500)

Special assessment deferred revenue recognized in the governmental funds. (410,202)

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	(375,128)	
Accrued interest payable	(5,105)	
	(380,233)	(380,233)

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	243,817	
Income from operations	2,818,657	
Transfers	(2,612,500)	
	449,974	449,974

Change in net assets of governmental activities \$ 8,383,047

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, 2007

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 50,585,809	\$ 50,585,809	\$ 49,327,659	\$ (1,258,150)
Licenses and permits	41,336	41,336	44,993	3,657
Intergovernmental	3,769,200	4,031,550	3,864,124	(167,426)
Charges for services	7,514,971	7,833,633	9,392,059	1,558,426
Fines and forfeitures	98,446	102,418	144,243	41,825
Miscellaneous revenue	1,473,130	2,100,286	2,585,782	485,496
TOTAL REVENUES	63,482,892	64,695,032	65,358,860	663,828
EXPENDITURES:				
Current:				
General government	18,249,768	18,381,162	16,674,507	1,706,655
Public safety	32,947,626	35,259,098	32,713,752	2,545,346
Physical environment	497,686	494,923	430,834	64,089
Economic environment	286,317	283,552	278,804	4,748
Human services	4,423,150	4,387,371	3,932,045	455,326
Culture and recreation	4,068,771	4,148,426	3,564,301	584,125
Court related	1,365,518	1,547,070	1,478,947	68,123
Debt service:				
Principal retirement	1,882,253	1,940,861	1,691,620	249,241
Interest and fiscal charges	532,749	576,202	862,308	(286,106)
TOTAL EXPENDITURES	64,253,838	67,018,665	61,627,118	5,391,547
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(770,946)	(2,323,633)	3,731,742	6,055,375
OTHER FINANCING SOURCES (USES):				
Transfers in	317,796	3,398,596	3,080,035	(318,561)
Transfers out	(4,716,164)	(4,605,436)	(4,379,380)	226,056
Capital lease proceeds	-	1,325,138	782,538	(542,600)
TOTAL OTHER FINANCING SOURCES (USES)	(4,398,368)	118,298	(516,807)	(635,105)
NET CHANGE IN FUND BALANCE	(5,169,314)	(2,205,335)	3,214,935	5,420,270
FUND BALANCES, BEGINNING OF YEAR	9,459,829	9,459,829	9,459,829	-
FUND BALANCES, END OF YEAR	\$ 4,290,515	\$ 7,254,494	\$ 12,674,764	\$ 5,420,270

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, 2007

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 884,960	4,082,730	\$ 2,067,592	\$ (2,015,138)
Miscellaneous revenue	65,000	117,884	558,780	440,896
TOTAL REVENUES	<u>949,960</u>	<u>4,200,614</u>	<u>2,626,372</u>	<u>(1,574,242)</u>
EXPENDITURES:				
Current:				
Transportation	5,509,935	9,124,997	1,881,042	7,243,955
Culture and recreation	-	89,430	19,512	69,918
Debt service:				
Interest and fiscal charges	239,075	291,681	291,681	-
TOTAL EXPENDITURES	<u>5,749,010</u>	<u>9,506,108</u>	<u>2,192,235</u>	<u>7,313,873</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,799,050)</u>	<u>(5,305,494)</u>	<u>434,137</u>	<u>5,739,631</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>-</u>	<u>110,100</u>
NET CHANGE IN FUND BALANCE	(4,909,150)	(5,415,594)	434,137	5,849,731
FUND BALANCES, BEGINNING OF YEAR	<u>7,131,300</u>	<u>7,131,300</u>	<u>7,131,300</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 2,222,150</u>	<u>\$ 1,715,706</u>	<u>\$ 7,565,437</u>	<u>\$ 5,849,731</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, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ -		\$ -	\$ -
Miscellaneous revenue	40,450	40,450	9,040	(31,410)
TOTAL REVENUES	<u>40,450</u>	<u>40,450</u>	<u>9,040</u>	<u>(31,410)</u>
EXPENDITURES:				
Current:				
Transportation	295,572	195,223	125,685	69,538
TOTAL EXPENDITURES	<u>295,572</u>	<u>195,223</u>	<u>125,685</u>	<u>69,538</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(255,122)</u>	<u>(154,773)</u>	<u>(116,645)</u>	<u>38,128</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	241,817	241,817	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>241,817</u>	<u>241,817</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(255,122)	87,044	125,172	38,128
FUND BALANCES, BEGINNING OF YEAR	<u>151,454</u>	<u>151,454</u>	<u>151,454</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ (103,668)</u>	<u>\$ 238,498</u>	<u>\$ 276,626</u>	<u>\$ 38,128</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, 2007

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 1,312,500	\$ 1,312,500
Miscellaneous revenue	9,316	9,316	49,965	40,649
TOTAL REVENUES	<u>9,316</u>	<u>9,316</u>	<u>1,362,465</u>	<u>1,353,149</u>
EXPENDITURES:				
Current:				
Transportation	684,450	684,450	113,065	571,385
TOTAL EXPENDITURES	<u>684,450</u>	<u>684,450</u>	<u>113,065</u>	<u>571,385</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(675,134)</u>	<u>(675,134)</u>	<u>1,249,400</u>	<u>1,924,534</u>
 NET CHANGE IN FUND BALANCE	 (675,134)	 (675,134)	 1,249,400	 1,924,534
 FUND BALANCES, BEGINNING OF YEAR	 <u>676,274</u>	 <u>676,274</u>	 <u>676,274</u>	 <u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,140</u>	<u>\$ 1,140</u>	<u>\$ 1,925,674</u>	<u>\$ 1,924,534</u>

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

FLAGLER COUNTY, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2007

	Business-type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Fund
	Landfill Fund	Airport Fund	Utility	Nonmajor Enterprise Funds		
ASSETS						
Current assets:						
Cash and equivalents	\$ 2,458,931	\$ 624,880	\$ 89,845	\$ 220,020	\$ 3,393,676	\$ 3,744,250
Accounts receivable, net	7,082	53,537	48,964	163,189	272,772	99,055
Due from other funds	13,292	14,078	5,302	121,434	154,106	337
Due from other governments	80,403	129,710	-	139,049	349,162	4,856
Prepaid expenses	-	-	350	-	350	-
Inventory	-	56,099	-	-	56,099	-
Total current assets	2,559,708	878,304	144,461	643,692	4,226,165	3,848,498
Noncurrent assets:						
Restricted cash	2,007,635	-	605,696	-	2,613,331	-
Land and construction in progress	203,404	299,466	694,603	9,893	1,207,366	-
Other capital assets, net of accumulated depreciation	427,211	10,609,438	996,526	672,922	12,708,097	-
Total noncurrent assets	2,638,250	10,908,904	2,296,825	682,815	16,526,794	-
Total assets	\$ 5,197,958	\$ 11,787,208	\$ 2,441,286	\$ 1,326,507	\$ 20,752,959	\$ 3,848,498
LIABILITIES						
Current liabilities:						
Accounts payable and accrued expenses	\$ 29,243	\$ 130,517	\$ 114,759	\$ 156,661	\$ 431,180	\$ 1,537,986
Deposits	1,000	41,052	14,925	-	56,977	12,713
Due to other funds	3,899	13,684	103,686	50,898	172,167	-
Due to other governments	72	8,714	8,816	395	17,997	-
Deferred revenue	-	550	-	-	550	27,011
Compensated absences	11,863	31,832	13,887	26,702	84,284	-
Current portion of long term debt	-	107,470	-	-	107,470	-
Total current liabilities	46,077	333,819	256,073	234,656	870,625	1,577,710
Noncurrent liabilities:						
Payable from restricted cash:						
Landfill closure and postclosure care	973,213	-	-	-	973,213	-
Advances from other funds	-	-	1,880,000	439,851	2,319,851	-
Notes Payable	-	3,175,931	-	-	3,175,931	-
Total noncurrent liabilities	973,213	3,175,931	1,880,000	439,851	6,468,995	-
Total liabilities	1,019,290	3,509,750	2,136,073	674,507	7,339,620	1,577,710
NET ASSETS						
Invested in capital assets, net of related debt	630,615	7,625,503	1,691,129	682,815	10,630,062	-
Restricted for:						
Landfill postclosure care	1,034,422	-	-	-	1,034,422	-
Future capital outlay	1,225,758	-	605,696	-	1,831,454	-
Unrestricted	1,287,873	651,955	(1,991,612)	(30,815)	(82,599)	2,270,788
Total net assets	4,178,668	8,277,458	305,213	652,000	13,413,339	2,270,788
Total Liabilities and Net Assets	\$ 5,197,958	\$ 11,787,208	\$ 2,441,286	\$ 1,326,507	\$ 20,752,959	\$ 3,848,498

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, 2007

	Business-type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Fund
	Landfill Fund	Airport Fund	Utility	Nonmajor Enterprise Funds		
OPERATING REVENUES:						
Charges for services	\$ 182	\$ 2,963,690	\$ 477,731	\$ 1,768,223	\$ 5,209,826	\$ -
Employee and employer contributions	-	-	-	-	-	9,341,672
Miscellaneous	15	105,417	24,055	32,390	161,877	5,781
Total operating revenues	197	3,069,107	501,786	1,800,613	5,371,703	9,347,453
OPERATING EXPENSES:						
Personal services	127,857	460,134	206,339	985,521	1,779,851	-
Vehicle fuel	3,377	10,645	4,852	186,588	205,462	-
Aviation fuel	-	1,537,984	-	-	1,537,984	-
Contractual services	8,296	11,153	52,485	928,475	1,000,409	-
Repairs and maintenance	9,187	56,957	28,904	83,956	179,004	-
Professional services	155,822	27,685	104,991	35,881	324,379	473,923
Employee claims	-	-	-	-	-	5,542,899
Utilities	1,546	45,433	74,867	6,821	128,667	-
Insurance	1,677	17,206	1,517	21,274	41,674	511,974
Depreciation	99,882	610,688	30,747	189,750	931,067	-
Miscellaneous	51,735	99,661	25,974	104,207	281,577	-
Provision for closure and postclosure care	(172,538)	-	-	-	(172,538)	-
Total operating expenses	286,841	2,877,546	530,676	2,542,473	6,237,536	6,528,796
Operating income/(loss)	(286,644)	191,561	(28,890)	(741,860)	(865,833)	2,818,657
NONOPERATING REVENUES (EXPENSES)						
Intergovernmental	191,176	331,907	-	500,649	1,023,732	-
Franchise fees	13,558	-	-	87,814	101,372	-
Interest income	222,412	19,230	33,298	15,010	289,950	248,358
Interest expense	-	(209,293)	(96,075)	(22,891)	(328,259)	(4,541)
Total nonoperating revenue (expense)	427,146	141,844	(62,777)	580,582	1,086,795	243,817
Income (loss) before contributions and transfers	140,502	333,405	(91,667)	(161,278)	220,962	3,062,474
Transfers in	-	-	-	179,408	179,408	387,500
Transfers out	(37,546)	-	-	-	(37,546)	(3,000,000)
Change in net assets	102,956	333,405	(91,667)	18,130	362,824	449,974
Net assets, beginning of year	4,075,712	7,944,053	396,880	633,870	13,050,515	1,820,814
Net assets, end of year	\$ 4,178,668	\$ 8,277,458	\$ 305,213	\$ 652,000	\$ 13,413,339	\$ 2,270,788

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

FLAGLER COUNTY, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Major Proprietary Funds			Nonmajor Proprietary Funds	Total	Internal Service
	Landfill	Airport	Utility			
Cash flows from operating activities						
Receipts from customers	\$ (47,870)	\$ 3,052,478	\$ 463,807	\$ 1,747,882	\$ 5,216,297	\$ 9,245,894
Payments to suppliers	(392,533)	(1,811,260)	(211,889)	(1,220,523)	(3,636,205)	(5,747,950)
Payments to employees	(130,435)	(461,781)	(199,222)	(977,405)	(1,768,843)	-
Other receipts	15	105,417	24,055	32,390	161,877	6,781
Net cash provided (used) by operating activities	(570,823)	884,854	76,761	(417,656)	(26,874)	3,503,725
Noncapital financing activities						
Franchise fees	13,558	-	-	87,813	101,371	-
Increase (decrease) in due from other funds	(13,292)	(10,221)	(5,228)	(73,021)	(101,762)	(337)
Increase (decrease) in due to other funds	(14,247)	(71,052)	35,832	(2,295)	(51,662)	-
Change in advances from other funds	-	(2,165,000)	56,000	-	(2,109,000)	-
Operating transfers in	-	-	-	179,408	179,408	387,500
Operating transfers out	(37,546)	-	-	-	(37,546)	(3,000,000)
Net cash provided by noncapital financing activities	(51,527)	(2,246,273)	86,704	191,905	(2,019,191)	(2,612,837)
Capital and related financing activities						
Change in due from other governments	-	12,854	-	-	12,854	(4,856)
Acquisition and construction of capital assets	3,795	(458,218)	(77,313)	(126,167)	(657,903)	-
Proceeds from long term debt	-	2,050,000	-	-	2,050,000	-
Payments on long term debt	-	(111,061)	-	-	(111,061)	(146,977)
Intergovernmental	191,176	331,807	-	500,649	1,023,732	-
Interest paid	-	(209,293)	(96,075)	(22,891)	(328,259)	(4,541)
Net cash provided (used) by capital and related financing activities	194,971	1,616,169	(173,388)	351,591	1,989,363	(156,374)
Investing activities						
Interest on Investments	222,412	19,230	33,298	15,010	289,950	248,358
Net cash provided by investing activities	222,412	19,230	33,298	15,010	289,950	248,358
Net increase in cash and equivalents	(204,967)	274,000	23,365	140,850	233,248	982,872
Cash and equivalents, beginning of year	4,671,533	350,880	672,176	79,170	5,773,759	2,761,378
Cash and equivalents, end of year	\$ 4,466,566	\$ 624,880	\$ 695,541	\$ 220,020	\$ 6,007,007	\$ 3,744,250
Cash and equivalents, end of year						
Unrestricted	\$ 2,458,931	\$ 624,880	\$ 89,845	\$ 220,020	\$ 3,393,676	\$ 3,744,250
Restricted	2,007,635	-	605,696	-	2,613,331	-
	\$ 4,466,566	\$ 624,880	\$ 695,541	\$ 220,020	\$ 6,007,007	\$ 3,744,250
Reconciliation of operating income (loss) to net cash provided by operating activities						
Operating income (loss)	\$ (286,644)	\$ 191,561	\$ (28,890)	\$ (741,860)	\$ (865,833)	\$ 2,818,657
Adjustment to reconcile operating loss to net cash used in operations:						
Depreciation	99,882	610,688	30,747	189,750	931,067	-
Provision for closure and postclosure care	(172,538)	-	-	-	(172,538)	-
Changes in assets and liabilities:						
Accounts receivable	9,357	88,788	(13,924)	(156,541)	(72,320)	(95,778)
Inventory	-	(17,966)	-	-	(17,966)	-
Due from other governments	(57,409)	-	-	136,200	78,791	-
Accounts payable and accrued expenses	(180,755)	5,488	77,941	149,873	72,547	783,429
Deferred revenue	-	550	-	(2,919)	(2,369)	(2,583)
Due to other governments	(138)	4,840	(440)	(275)	3,987	-
Deposits	-	2,552	4,200	-	6,752	-
Compensated absences	(2,578)	(1,647)	7,117	8,116	11,008	-
Net cash (used) provided by operating activities	\$ (570,823)	\$ 884,854	\$ 76,761	\$ (417,656)	\$ (26,874)	\$ 3,503,725

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

FLAGLER COUNTY, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
SEPTEMBER 30, 2007

ASSETS	Agency Funds
Cash and cash equivalents	\$ 3,772,828
Accounts receivable	31,309
 Total assets	 \$ 3,804,137
 LIABILITIES:	
Due to other governments	\$ 1,543,610
Deposits	1,901,595
Other liabilities	358,932
 Total liabilities	 \$ 3,804,137

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

FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

(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, 2007

(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.

(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, 2007

(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, 2007

(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 transportational 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.

Capital projects - To account for the County's two bonded capital projects and those capital projects funded by the half-cent local option sales tax.

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 Funds of the County account for the financing of goods or other 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, 2007

(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, 2007

(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, 2007

(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.

(k) **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, 2007 were approximately \$2,243,953.

(l) **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.

(m) **Inventory** - Inventory of the proprietary funds is valued at the lower of cost (first-in, first-out) or market. Inventory of the special revenue funds is valued at cost, which approximates market value, using the first-in, first-out method. The cost of inventory of the special revenue funds 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.

(n) **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, 2007

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

(n) **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.

(o) **Deferred Revenue** - Deferred revenues are recorded on the governmental fund balance sheet and the proprietary statement of net assets in the amount of \$8,079,224 and \$27,561, 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, 2007.

(p) **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.

(q) **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, 2007

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

(q) **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.

(r) **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:**

At year end, the carrying amount of the County's deposits was \$66,948,408. The bank balances were \$67,110,445. 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, 2007, the County had the following cash and investments balances:

	Maturity Date	Market Value
Cash and cash equivalents	N/A	\$ 60,562,248
Restricted cash and cash equivalents	N/A	2,613,331
Cash and cash equivalents with trustee	N/A	3,772,828
Total		\$ 66,948,407

Interest Rate Risk- In accordance with the County's investment policy, the County manages its exposure to declines in fair values of its investments by limiting the allowable length to maturity to a maximum of five years from the date of purchase.

FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

(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.

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 \$928,310 in the General Fund and \$1,347 and \$3,258 in the Enterprise Funds (Sanitary Landfill and Utilities, respectively).

FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

(5) Capital Assets - Governmental Activities:

A summary of changes in capital assets follows:

	Balance October 1, 2006	Adjustments	As adjusted October 1, 2006	Additions	Deletions	Balance September 30, 2007
Governmental activities:						
Capital assets, not being depreciated:						
Land	\$ 51,454,581	\$ 18,952,851	\$ 70,407,432	\$ -	\$ -	\$ 70,407,432
Fine art collection	106,700	-	106,700	17,000	-	123,700
Construction in process	52,432,056	-	52,432,056	3,294,970	50,390,451	5,336,575
Total capital assets, not being depreciated	103,993,337	18,952,851	122,946,188	3,311,970	50,390,451	75,867,707
Capital assets, being depreciated:						
Buildings	21,325,044	-	21,325,044	51,268,081	-	72,593,125
Improvements other than buildings	7,882,551	-	7,882,551	6,155,555	-	14,038,106
Equipment	18,486,400	-	18,486,400	14,131,259	637,025	31,980,634
Vehicles	12,153,169	-	12,153,169	1,213,991	333,404	13,033,756
Infrastructure	12,682,328	93,615,886	106,298,214	9,770,152	-	116,068,366
Total capital assets being depreciated	72,529,492	93,615,886	166,145,378	82,539,038	970,429	247,713,987
Less accumulated depreciation for:						
Buildings	3,118,093	-	3,118,093	676,029	-	3,794,122
Improvements other than buildings	4,937,023	-	4,937,023	438,179	-	5,375,202
Equipment	11,731,889	-	11,731,889	3,010,738	380,973	14,361,654
Vehicles	6,416,902	-	6,416,902	1,226,850	448,228	7,195,524
Infrastructure	299,239	21,928,749	22,227,988	2,200,024	-	24,428,012
Total accumulated depreciation	26,503,146	21,928,749	48,431,895	7,551,820	829,201	55,154,514
Total capital assets being depreciated, net	46,026,346	71,687,137	117,713,483	74,987,218	141,228	192,559,473
	\$ 150,019,683	\$ 90,639,988	\$ 240,659,671	\$ 78,299,188	\$ 50,531,679	\$ 268,427,180

FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

(5) Capital Assets - Governmental Activities (continued)

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

Governmental activities:		
General government	\$	1,314,040
Public safety		2,829,597
Physical environment		32,705
Transportation		2,779,482
Economic environment		13,066
Human services		83,218
Culture/recreation		<u>497,907</u>
Total depreciation expense - governmental activities	\$	<u>7,550,015</u>

The increase in accumulated depreciation for governmental activities of \$7,551,820 differs from depreciation expense of \$7,550,015 because of accumulated depreciation in the amount of \$1,805 associated with an asset transferred from business-type activities.

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FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

(6) Capital Assets -Enterprise Funds:

	Balance October 1, 2006	Additions	Deductions	Balance September 30, 2006
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 405,193	\$ -	\$ -	\$ 405,193
Construction in process	1,707,822	276,000	1,181,649	802,173
Total capital assets, not being depreciated	<u>2,113,015</u>	<u>276,000</u>	<u>1,181,649</u>	<u>1,207,366</u>
Capital assets, being depreciated:				
Buildings	6,800,849	983,619	-	7,784,468
Improvements other than buildings	7,298,286	414,222	-	7,712,508
Equipment	2,461,261	191,310	66,901	2,585,670
Infrastructure	243,019	-	-	243,019
Total capital assets being depreciated	<u>16,803,415</u>	<u>1,589,151</u>	<u>66,901</u>	<u>18,325,665</u>
Less accumulated depreciation for:				
Buildings	668,422	163,589	-	832,011
Improvements other than buildings	2,674,042	444,566	-	3,118,608
Equipment	1,372,501	317,588	41,300	1,648,789
Infrastructure	14,836	5,324	-	20,160
Total accumulated depreciation	<u>4,729,801</u>	<u>931,067</u>	<u>41,300</u>	<u>5,619,568</u>
Total capital assets being depreciated, net	<u>12,073,614</u>	<u>658,084</u>	<u>25,601</u>	<u>12,706,097</u>
Business-type activities capital assets, net	<u>\$ 14,186,629</u>	<u>\$ 934,084</u>	<u>\$ 1,207,250</u>	<u>\$ 13,913,463</u>
Depreciation expense was charged as follows:				
Business-type activities:				
Airport	\$ 610,688			
Sanitary landfill	99,882			
Utilities	30,747			
Transportation	189,750			
Total depreciation expense - business-type activities	<u>\$ 931,067</u>			

FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

(7) Long-Term Debt:

The balance of bonds and notes payable at September 30, 2007, are as follows:
Bonds and Notes Payable from Governmental Activities

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.	\$ 1,115,000
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.	5,590,000
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.	31,885,000
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.	32,965,000
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.	2,170,000

FLAGLER COUNTY, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

(7) Long-Term Debt (continued):

<p>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</p>	188,106
<p>Note Payable - was issued on August 16, 2004 for capital improvements. Payments of interest only at a variable rate per year equal to 63.7% of the 90-day LIBOR Fixed Rate plus 130 basis points, are due quarterly through June 30, 2008 when the entire principal balance becomes due.</p>	6,125,570
<p>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.</p>	10,267,000
	90,305,676
Bonds and notes payable from governmental activities	
Note Payable from Business-Type Activities	
<p>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.</p>	1,292,616
<p>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.</p>	1,990,785
Capital Lease Obligation	
<p>Various installment lease purchases of office equipment and heavy machinery with lease maturity dates through 2009.</p>	971,413
Accrued Compensated Absences	
<p>Governmental Activities</p>	2,211,375
<p>Business-Type Activities</p>	84,284
Add Unamortized Premium	962,131
Total Long-Term Obligations	\$ 97,818,280

FLAGLER COUNTY, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

(7) Long-Term Debt: (continued)

As of September 30, 2007, 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, 2007, are as follows:

Fiscal Year Ending September 30,	General long-term bonds		Notes payable		Total Long-Term Obligations and Interest
	Principal	Interest	Principal	Interest	
2008	2,860,000	\$ 2,994,108	\$ 7,396,688	\$ 1,010,187	\$ 14,260,983
2009	2,950,000	2,897,877	1,315,663	712,077	7,875,617
2010	2,455,000	2,795,267	1,265,220	652,922	7,168,409
2011	2,545,000	2,712,470	1,164,692	593,683	7,015,845
2012	2,630,000	2,623,160	1,061,528	542,751	6,857,439
2013-2017	11,390,000	11,686,514	4,980,259	1,960,414	30,017,187
2018-2022	9,295,000	9,615,856	4,114,511	733,648	23,759,015
2023-2027	11,375,000	7,515,148	735,516	84,340	19,710,004
2028-2032	14,145,000	4,682,071	-	-	18,827,071
2033-2037	11,910,000	1,149,156	-	-	13,059,156
Total principal and interest	71,555,000	48,671,627	22,034,077	6,290,022	148,550,726
Less interest to be paid	-	(48,671,627)	-	(6,290,022)	(54,961,649)
Total principal	71,555,000	-	22,034,077	-	93,589,077
Deferred amounts	962,131	-	-	-	962,131
Totals	<u>\$ 72,517,131</u>	<u>\$ -</u>	<u>\$ 22,034,077</u>	<u>\$ -</u>	<u>94,551,208</u>

Long-term obligations not included above:

Accrued compensated absences payable	2,295,659
Capitalized lease obligations	971,413

Total long-term obligations \$ 97,818,280

FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

(7) Long-Term Debt: (continued)

Changes in long-term liabilities for the fiscal year ended September 30, 2007, are summarized as follows:

	Balance October 1, 2006	Additions	Reductions	Balance September 30, 2007	Due within one year
Governmental activities:					
General long-term obligations:					
Bonds payable	74,300,000	-	2,745,000	71,555,000	2,860,000
Notes payable	20,121,590	-	1,370,914	18,750,676	7,289,218
Deferred amounts:					
Issuance premiums	998,116	-	35,985	962,131	35,985
Total bonds and notes payable	95,419,706	-	4,151,899	91,267,807	10,185,203
Accrued compensated absences	1,836,247	2,543,485	2,168,357	2,211,375	1,816,389
Capitalized lease obligations	948,106	782,538	759,231	971,413	460,752
Total governmental activity long-term obligations	98,204,059	3,326,023	7,079,487	94,450,595	12,462,344
Internal Service Fund:					
Notes payable	146,977	-	146,977	-	-
Total business-type activity long-term obligations	146,977	-	146,977	-	-
Business-type activities:					
Notes payable	1,344,462	2,050,000	111,061	3,283,401	107,470
Accrued compensated absences	73,276	99,004	87,996	84,284	84,000
Total business-type activity long-term obligations	1,417,738	2,149,004	199,057	3,367,685	191,470
TOTAL LONG-TERM LIABILITIES	\$ 99,768,774	\$ 5,475,027	\$ 7,425,521	\$ 97,818,280	\$ 12,653,814

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

FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

(7) Long-Term Debt: (continued)

The County is the lessee of equipment and vehicles expiring at various dates through May 2009. The assets and liabilities under the capital leases are recorded at the present value of the minimum lease payments.

Future minimum lease payments under the capital leases as of September 30, 2007 and for the remaining terms are as follows:

Fiscal Year Ending September 30	Amount
2008	\$ 911,173
2009	271,877
Total principal and interest	1,183,050
Less amounts representing interest	(211,637)
Total principal	\$ 971,413

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, 2007	Remaining balance, September 30, 2007
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, 2007 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, 2007

(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, 2007 was \$210,586. 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, 2007, the underlying swaps had a fair value of \$1,487. 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, 2007 was \$1,292,616 with a fixed rate of 4.43%. 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, 2007, the underlying swaps had a negative fair value of \$1,839. This fair value was obtained by the counter-parties' mark to market reports submitted to the County.

Bank of America - Capital Improvements

Terms - Effective December 6, 2004, the County entered into a four year floating receiver swap with Bank of America with a fixed rate of 3.86%. The notional amount of the swap as of September 30, 2007 was \$6,125,570. The county receives payments quarterly and makes interest payments quarterly. The swap is related to the \$6,125,570 construction of capital infrastructure.

Fair Value - As of September 30, 2007, the underlying swaps had a fair value of \$34,754. 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, 2007 was \$10,267,000. 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, 2007, the underlying swaps had a fair value of \$66,262. This fair value was obtained by the counter-parties' mark to market reports submitted to the County.

(8) Short-Term Debt:

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

	Balance October 1, 2006	Additions	Deductions	Balance September 30, 2007
Tax anticipation Note	\$ -	\$ 1,000,000	\$ 1,000,000	\$ -
Totals	\$ -	\$ 1,000,000	\$ 1,000,000	\$ -

FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

(8) Short-Term Debt (continued):

The Board entered into a short term note payable agreement to provide operating capital for the Airport and to make other temporary interfund loans.

(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 closure and postclosure care as of September 30, 2007 are \$430,232.

The estimated total current cost of closure and postclosure care remaining to be recognized at September 30, 2007 is \$43,857.

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, 2007 are \$849,983.

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, 2007. 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 \$2,007,635 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

FLAGLER COUNTY, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

(10) 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 and senior management who may elect not to participate in the System. Retirement coverage is employee noncontributory. The employer pays all contributions. The contribution rates are as follows:

	July 1, 2006 - June 30, 2007	July 1, 2007 - September 30, 2007
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 12.26 percent. For the years ended September 30, 2007, 2006, and 2005, total contributions were \$4,162,852, \$3,117,753, and \$2,474,844, 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, 2007, 91 employees of the County were participating in the Investment Plan.

FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

(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 four 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 \$1,537,986 at September 30, 2007 is based on historical experience, current trends and an actuarial study performed by an actuarial firm.

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 \$4,632,253 to the plan for the year ended September 30, 2007. Changes in the Fund's claims liability were as follows.

	Liability at October 1	Claims incurred	Claims paid	Liability at September 30
2004 - 2005	805,179	4,943,998	5,002,897	746,280
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

In October, 2003, the County entered into an agreement with Shands Hospital to pay a claim of \$429,793. This amount is reported as Notes Payable in the Health Insurance Internal Service Fund; this note was paid in full as of September 30, 2007.

(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, 2007, interfund balances consisted of:

	Due from other funds	Due to other funds
General fund	\$ 627,021	\$ 476,242
General fund advances	2,547,068	-
Constitutional gas tax	28,077	-
Transportation impact fees - east	355,944	80,000
Road impact fees - Palm Coast	80,000	-
Capital projects	2,366,647	118,369
Nonmajor governmental funds	415,300	3,180,655
Nonmajor governmental funds advances	-	227,218
Sanitary landfill	13,292	3,899
Airport	14,078	13,684
Utility	5,302	103,686
Nonmajor business-type funds	121,434	50,896
Nonmajor business-type funds advances	-	2,319,851
Internal service fund	337	-
	<u>\$ 6,574,500</u>	<u>\$ 6,574,500</u>

FLAGLER COUNTY, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

(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:

	Transfer in	Transfer out
General fund	\$ 3,080,035	\$ 4,379,380
Transportation impact fees - east	241,817	-
Nonmajor governmental funds	4,164,698	640,329
Sanitary landfill	-	37,546
Nonmajor business-type funds	179,408	-
Internal service funds	387,500	3,000,000
Governmental activities	3,797	-
	<u>\$ 8,057,255</u>	<u>\$ 8,057,255</u>
Total transfers		

During the fiscal year, the General fund made a transfer of \$387,500 to the Group Medical Benefits fund and received a transfer of excess funds in the amount of \$3,000,000 from the Group Medical Benefits fund.

(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) Other Required Individual Fund Disclosures

Deficit Fund Balances - There were three nonmajor special revenue funds with a deficit in net assets at September 30, 2007. The Transportation Impact Fees West has a deficit in net assets of \$80,617 and this deficit is a result of a loan budgeted which was satisfied as an advance and is expected to be liquidated with future revenues. Additionally, the Court Services and Teen Court funds have a deficit in net assets of \$28 and \$11,038, respectively. These deficits are a result of operations and are expected to be liquidated with future revenues.

(15) 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, 2007). Special assessment receivable at September 30, 2007 was \$1,737,590 and is due from one taxpayer.

FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

(16) Subsequent Events:

On January 29, 2008, the Florida electorate approved an amendment to the Florida constitution relative to property taxation. This amendment (referred to as Amendment 1) was placed on the ballot by the Florida legislature at the special session held in October, 2007. It effects homestead and non-homestead property as follows:

Homestead property – Amendment 1 increases the current \$25,000 homestead exemption by an additional \$25,000 (for values between \$50,000 - \$75,000), except for school district taxes. Since the new \$25,000 homestead exemption does not apply to school district taxes, this effectively amounts to a \$15,000 increase in homestead exemption, resulting in an estimated savings of \$240 for an average homeowner. Amendment 1 also allows property owners to transfer (make portable) up to \$500,000 of their Save Our Homes benefits to their next homestead when they move. Save Our Homes became effective in 1995 and limits (caps) the annual increase in assessed value for the homestead property to three percent (3%) or the percentage change in the Consumer Price Index, whichever is less.

Non-homestead property – Amendment 1 limits (caps) the annual increase in assessed value for non-homestead property (business, industrial property, rental property, second homes, etc.) to ten percent (10%), except for school district taxes. The amendment also provides for a \$25,000 exemption for tangible personal property.

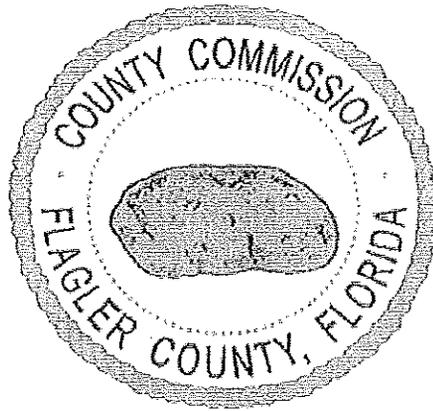
Amendment 1 becomes effective on October 1, 2008, with the exception of the 10% cap on non-homestead property, which becomes effective on January 1, 2009.

The estimated loss of property tax revenues due to Amendment 1 for Flagler County is approximately \$4 million.

Subsequent to year end the County requested the Auditor General of the State of Florida perform a financial audit of its capital projects fund. The audit is scheduled to be performed during fiscal year 2007/2008.

Subsequent to year end the County went through layoffs, the estimated amount to be paid in termination benefits is approximately \$417,500. The exact amount couldn't be determined since additional layoffs are expected in the near future.

Subsequent to year end the County entered into a repayment agreement in the amount of \$413,905 with the State of Florida Department of Community Affairs. The amount is due to the State as repayment for a Community Development Block Grant received, for a project that required the creation of a certain number of jobs. The project failed to create the number of jobs required.



FLAGLER COUNTY, FLORIDA
 COMBINING BALANCE SHEET-
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

Special Revenue Funds

	Fine and Forfeiture	County Transportation Trust	Legal Aid	Law Enforcement Trust
ASSETS				
Cash and cash equivalents	\$ 28,104	\$ 499,122	\$ 73,906	\$ 52,170
Cash with fiscal agent	-	-	-	-
Accounts receivable	-	1,084	-	-
Notes receivable	-	-	-	-
Due from other funds	-	166,343	1,084	-
Due from other governments	-	200,834	-	-
Inventory	-	-	-	-
Other assets	-	-	-	-
TOTAL ASSETS	<u>\$ 28,104</u>	<u>\$ 867,383</u>	<u>\$ 74,990</u>	<u>\$ 52,170</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable and accrued liabilities	\$ -	\$ 70,587	\$ 25,000	\$ -
Deposits	-	88,355	-	-
Due to other funds	-	27,604	-	5,240
Due to other governments	-	458	-	-
Deferred revenue	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>187,004</u>	<u>25,000</u>	<u>5,240</u>
FUND BALANCES (DEFICIT):				
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	28,104	680,379	49,990	46,930
TOTAL FUND BALANCES (DEFICIT)	<u>28,104</u>	<u>680,379</u>	<u>49,990</u>	<u>46,930</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 28,104</u>	<u>\$ 867,383</u>	<u>\$ 74,990</u>	<u>\$ 52,170</u>

Special Revenue Funds

Law Library	Court Facilities	Tourist Development Tax Capital	Tourist Development Tax Promotion	Tourist Development Tax- Beach Restoration	Countywide Road Damage
\$ 22,677	\$ 563,888	\$ 1,070,888	\$ 763,162	\$ 723,595	\$ 10,063
-	-	-	-	-	-
-	-	-	-	-	-
1,095	12,519	-	-	-	-
-	-	21,427	39,283	14,714	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 23,772</u>	<u>\$ 576,407</u>	<u>\$ 1,092,315</u>	<u>\$ 802,445</u>	<u>\$ 738,309</u>	<u>\$ 10,063</u>
\$ 1,842	\$ 14,311	\$ 452	\$ 18,368	\$ 101	\$ -
-	-	-	-	-	-
-	246,234	-	72	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,842</u>	<u>260,545</u>	<u>452</u>	<u>18,440</u>	<u>101</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
21,930	315,862	1,091,863	784,005	738,208	10,063
<u>21,930</u>	<u>315,862</u>	<u>1,091,863</u>	<u>784,005</u>	<u>738,208</u>	<u>10,063</u>
<u>\$ 23,772</u>	<u>\$ 576,407</u>	<u>\$ 1,092,315</u>	<u>\$ 802,445</u>	<u>\$ 738,309</u>	<u>\$ 10,063</u>

(Continued)

FLAGLER COUNTY, FLORIDA
 COMBINING BALANCE SHEET-
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

Special Revenue Funds (Continued)

	Environmentally Sensitive Land	Utility Regulatory Authority	Government Services Bldg Operations	Transportation Impact Fees West	Park Impact Fees
ASSETS					
Cash and cash equivalents	\$ 6,060,639	\$ 24,754	\$ 37,114	\$ 131,258	\$ 490,369
Cash with fiscal agent	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Notes receivable	-	-	-	-	-
Due from other funds	-	-	-	-	30
Due from other governments	-	-	59,659	-	521
Inventory	-	-	-	-	-
Other assets	-	-	-	-	-
TOTAL ASSETS	\$ 6,060,639	\$ 24,754	\$ 96,773	\$ 131,258	\$ 490,920
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable and accrued liabilities	\$ 4,461	\$ 3,829	\$ 29,634	\$ -	\$ 4,450
Deposits	-	-	-	-	-
Due to other funds	-	-	-	211,876	784
Due to other governments	-	-	-	-	-
Deferred revenue	-	-	5,324	-	-
TOTAL LIABILITIES	4,461	3,829	34,958	211,876	5,234
FUND BALANCES (DEFICIT):					
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	6,056,178	20,925	61,815	(80,618)	485,686
TOTAL FUND BALANCES (DEFICIT)	6,056,178	20,925	61,815	(80,618)	485,686
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 6,060,639	\$ 24,754	\$ 96,773	\$ 131,258	\$ 490,920

Special Revenue Funds

New Transportation Impact Fees- East	Economic Development	CDBG ED E10	CDBG FL Rock	State Housing Initiative	Bimini Gardens Municipal Service	Colbert Lane Settlement
\$ 671,561	\$ 971,576	\$ -	\$ 1,167	\$ 989,325	\$ 11,500	\$ 62,785
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	102	68	-
24,573	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 696,134</u>	<u>\$ 971,576</u>	<u>\$ -</u>	<u>\$ 1,167</u>	<u>\$ 989,427</u>	<u>\$ 11,568</u>	<u>\$ 62,785</u>
\$ 120,528	\$ -	\$ -	\$ -	\$ 31,187	\$ -	\$ -
-	-	-	-	-	-	-
361,130	28,077	-	-	1,131	-	-
85,565	-	-	100	-	-	-
21,784	-	-	1,067	-	-	-
<u>589,007</u>	<u>28,077</u>	<u>-</u>	<u>1,167</u>	<u>32,318</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
107,127	943,499	-	-	957,109	11,568	62,785
<u>107,127</u>	<u>943,499</u>	<u>-</u>	<u>-</u>	<u>957,109</u>	<u>11,568</u>	<u>62,785</u>
<u>\$ 696,134</u>	<u>\$ 971,576</u>	<u>\$ -</u>	<u>\$ 1,167</u>	<u>\$ 989,427</u>	<u>\$ 11,568</u>	<u>\$ 62,785</u>

(Continued)

FLAGLER COUNTY, FLORIDA
 COMBINING BALANCE SHEET-
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

Special Revenue Funds (Continued)

	Espanola Mosquito Control	Rima Ridge Mosquito Control	Municipal Services	Building Department
ASSETS				
Cash and cash equivalents	\$ 13,648	\$ 40,974	\$ 804,830	\$ 1,498,500
Cash with fiscal agent	-	-	-	-
Accounts receivable	-	-	1,194	915
Notes receivable	-	-	-	-
Due from other funds	31	27	109,077	31,416
Due from other governments	-	-	157,704	4,395
Inventory	-	-	-	-
Other assets	-	-	350	-
TOTAL ASSETS	<u>\$ 13,679</u>	<u>\$ 41,001</u>	<u>\$ 1,073,155</u>	<u>\$ 1,535,226</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 290	\$ 355	\$ 9,647	\$ 3,267
Deposits	-	-	57,445	-
Due to other funds	-	-	27,996	12,108
Due to other governments	-	-	79,962	1,512
Deferred revenue	6,045	28,227	-	-
TOTAL LIABILITIES	<u>6,335</u>	<u>28,582</u>	<u>175,050</u>	<u>16,887</u>
FUND BALANCES (DEFICIT):				
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	7,344	12,419	898,105	1,518,339
TOTAL FUND BALANCES (DEFICIT)	<u>7,344</u>	<u>12,419</u>	<u>898,105</u>	<u>1,518,339</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 13,679</u>	<u>\$ 41,001</u>	<u>\$ 1,073,155</u>	<u>\$ 1,535,226</u>

Special Revenue Funds

Mediation and Arbitration	Court Services	Domestic Violence	Alcohol and Other Drug Trust Fund	Court Technology	Juvenile Diversion
\$ 19,971	\$ 2,221	\$ 8,858	\$ 6,931	\$ 1,878,381	\$ 111,944
-	-	-	-	-	-
-	-	-	-	-	-
-	-	115	140	19,306	1,198
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 19,971</u>	<u>\$ 2,221</u>	<u>\$ 8,973</u>	<u>\$ 7,071</u>	<u>\$ 1,897,687</u>	<u>\$ 113,142</u>
\$ -	\$ -	\$ -	\$ -	\$ 5,897	\$ -
-	-	-	-	-	-
-	2,249	-	-	1,683,825	-
-	-	-	-	2,070	-
-	-	-	-	-	-
-	<u>2,249</u>	<u>-</u>	<u>-</u>	<u>1,691,792</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
19,971	(28)	8,973	7,071	205,895	113,142
<u>19,971</u>	<u>(28)</u>	<u>8,973</u>	<u>7,071</u>	<u>205,895</u>	<u>113,142</u>
<u>\$ 19,971</u>	<u>\$ 2,221</u>	<u>\$ 8,973</u>	<u>\$ 7,071</u>	<u>\$ 1,897,687</u>	<u>\$ 113,142</u>

(Continued)

FLAGLER COUNTY, FLORIDA
 COMBINING BALANCE SHEET-
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

Special Revenue Funds (Continued)

	Crime Prevention	Court Innovations	Teen Court	E-911	Daytona North Service District
ASSETS					
Cash and cash equivalents	\$ 110,878	\$ 75,036	\$ 13,645	\$ 304,273	\$ 54,991
Cash with fiscal agent	-	-	-	-	-
Accounts receivable	-	-	-	626	-
Notes receivable	-	-	-	-	-
Due from other funds	1,612	1,071	2,792	334	5,315
Due from other governments	-	-	-	87,747	11,189
Inventory	-	-	-	-	-
Other assets	-	-	-	-	-
TOTAL ASSETS	\$ 112,490	\$ 76,107	\$ 16,437	\$ 392,980	\$ 71,495
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 1,136	\$ 12,522	\$ 2,166
Deposits	-	-	-	-	-
Due to other funds	-	-	26,259	2,011	4,165
Due to other governments	-	-	80	356	-
Deferred revenue	-	-	-	48	-
TOTAL LIABILITIES	-	-	27,475	14,937	6,331
FUND BALANCES (DEFICIT):					
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	112,490	76,107	(11,038)	378,043	65,164
TOTAL FUND BALANCES (DEFICIT)	112,490	76,107	(11,038)	378,043	65,164
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 112,490	\$ 76,107	\$ 16,437	\$ 392,980	\$ 71,495

Special Revenue Funds

Court General	Court Technology	Records Modernization	Law Enforcement Education	Grants and Donations
\$ 187,516	\$ 745,222	\$ 266,000	\$ 608	\$ 9,897
-	-	-	-	-
988	-	-	-	-
-	-	-	-	-
26,512	18,341	6,078	688	-
171,462	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 386,478</u>	<u>\$ 763,563</u>	<u>\$ 272,078</u>	<u>\$ 1,296</u>	<u>\$ 9,897</u>
\$ 10,464	\$ 87,709	\$ 77,175	\$ -	\$ -
-	-	-	-	-
331,908	434,188	3	-	-
44,106	-	-	-	-
-	-	-	-	-
<u>386,478</u>	<u>521,897</u>	<u>77,178</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	241,666	194,900	1,296	9,897
<u>-</u>	<u>241,666</u>	<u>194,900</u>	<u>1,296</u>	<u>9,897</u>
<u>\$ 386,478</u>	<u>\$ 763,563</u>	<u>\$ 272,078</u>	<u>\$ 1,296</u>	<u>\$ 9,897</u>

(Continued)

FLAGLER COUNTY, FLORIDA
 COMBINING BALANCE SHEET-
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<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	\$ 15,290	\$ 19,429,237	\$ 498,295	\$ 30,034
Cash with fiscal agent	-	-	-	-
Accounts receivable	-	4,807	-	-
Notes receivable	-	-	-	-
Due from other funds	-	405,294	2,568	4,923
Due from other governments	-	793,508	-	-
Inventory	-	-	-	-
Other assets	-	350	-	-
TOTAL ASSETS	<u>\$ 15,290</u>	<u>\$ 20,633,196</u>	<u>\$ 500,863</u>	<u>\$ 34,957</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable and accrued liabilities	\$ -	\$ 535,378	\$ 82	\$ -
Deposits	-	145,800	-	-
Due to other funds	-	3,406,860	-	1
Due to other governments	-	214,209	-	-
Deferred revenue	-	62,495	-	-
TOTAL LIABILITIES	<u>-</u>	<u>4,364,742</u>	<u>82</u>	<u>1</u>
FUND BALANCES (DEFICIT):				
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	15,290	16,268,454	500,781	34,956
TOTAL FUND BALANCES (DEFICIT)	<u>15,290</u>	<u>16,268,454</u>	<u>500,781</u>	<u>34,956</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 15,290</u>	<u>\$ 20,633,196</u>	<u>\$ 500,863</u>	<u>\$ 34,957</u>

Debt Service Funds

Capital Projects Funds

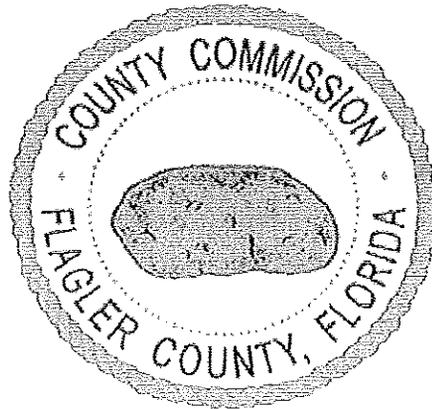
Reserve Colbert Lane	ESL Bond Sinking	Capital Construction	Capital Construction GO Issue	Total	Environmental Land	Beach Front Parks
\$ 586,543	\$ 965,829	\$ 2,776,160	\$ 36,498	\$ 4,893,359	\$ 112,054	\$ 1,302,071
-	-	1,915,735	-	1,915,735	-	-
-	-	-	-	-	-	-
-	2,515	-	-	10,006	-	-
-	-	115,195	-	115,195	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 586,543</u>	<u>\$ 968,344</u>	<u>\$ 4,807,090</u>	<u>\$ 36,498</u>	<u>\$ 6,934,295</u>	<u>\$ 112,054</u>	<u>\$ 1,302,071</u>
\$ -	\$ 172	\$ 569	\$ 2	\$ 825	\$ -	\$ 1,570
-	-	-	-	-	-	-
-	-	-	-	1	-	1,012
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>172</u>	<u>569</u>	<u>2</u>	<u>826</u>	<u>-</u>	<u>2,582</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
586,543	968,172	4,806,521	36,496	6,933,469	112,054	1,299,489
<u>586,543</u>	<u>968,172</u>	<u>4,806,521</u>	<u>36,496</u>	<u>6,933,469</u>	<u>112,054</u>	<u>1,299,489</u>
<u>\$ 586,543</u>	<u>\$ 968,344</u>	<u>\$ 4,807,090</u>	<u>\$ 36,498</u>	<u>\$ 6,934,295</u>	<u>\$ 112,054</u>	<u>\$ 1,302,071</u>

(Continued)

FLAGLER COUNTY, FLORIDA
 COMBINING BALANCE SHEET-
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

Capital Projects Funds (Continued)

	Park Maintenance Trust	Total	Total Non-Major Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 820,902	\$ 2,235,027	\$ 26,557,623
Cash with fiscal agent	-	-	1,915,735
Accounts receivable	-	-	4,807
Notes receivable	-	-	-
Due from other funds	-	-	415,300
Due from other governments	-	-	908,703
Inventory	-	-	-
Other assets	-	-	350
TOTAL ASSETS	<u>\$ 820,902</u>	<u>\$ 2,235,027</u>	<u>\$ 29,802,518</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable and accrued liabilities	\$ 103	\$ 1,673	\$ 537,876
Deposits	-	-	145,800
Due to other funds	-	1,012	3,407,873
Due to other governments	-	-	214,209
Deferred revenue	-	-	62,495
TOTAL LIABILITIES	<u>103</u>	<u>2,685</u>	<u>4,368,253</u>
FUND BALANCES (DEFICIT):			
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	820,799	2,232,342	25,434,265
TOTAL FUND BALANCES (DEFICIT)	<u>820,799</u>	<u>2,232,342</u>	<u>25,434,265</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 820,902</u>	<u>\$ 2,235,027</u>	<u>\$ 29,802,518</u>



FLAGLER COUNTY, FLORIDA
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

Special Revenue Funds

	Fine and Forfeiture	County Transportation Trust	Legal Aid	Law Enforcement Trust
REVENUES:				
Taxes	\$ -	\$ 827,712	\$ -	\$ -
Special assessments/Impact fees	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	746,687	-	-
Charges for services	-	1,091,529	-	-
Fines and forfeitures	-	-	24,942	26,764
Miscellaneous revenue	3,234	23,851	1,200	3,333
TOTAL REVENUES	3,234	2,689,779	26,142	30,097
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	52,385
Physical environment	-	-	-	-
Transportation	-	2,402,684	-	-
Economic environment	-	-	-	-
Human services	-	-	58,791	-
Culture and recreation	-	-	-	-
Court related	-	-	-	-
Debt service:				
Principal retirement	-	128,525	-	-
Interest and fiscal charges	-	13,570	-	-
TOTAL EXPENDITURES	-	2,544,779	58,791	52,385
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,234	145,000	(32,649)	(22,288)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	71,872	-
Transfers out	-	(58,789)	-	-
Long term debt issued	-	-	-	-
Premium from long term debt issued	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(58,789)	71,872	-
NET CHANGE IN FUND BALANCES	3,234	86,211	39,223	(22,288)
FUND BALANCES (DEFICITS), BEGINNING OF YEAR	24,870	594,168	10,767	69,218
FUND BALANCES (DEFICITS), END OF YEAR	\$ 28,104	\$ 680,379	\$ 49,990	\$ 46,930

Special Revenue Funds

Law Library	Court Facilities	Tourist Development Tax Capital	Tourist Development Tax Promotion	Tourist Development Tax- Beach Restoration	Countywide Road Damage
\$ -	\$ -	\$ 266,961	\$ 489,429	\$ 133,481	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
24,894	202,656	-	-	-	-
2,542	21,894	43,159	34,455	34,623	489
<u>27,436</u>	<u>224,550</u>	<u>310,120</u>	<u>523,884</u>	<u>168,104</u>	<u>489</u>
-	-	-	-	-	-
-	-	-	-	269	-
-	-	-	412,409	-	-
-	-	14,315	-	32,594	-
12,750	294,612	-	-	-	-
-	-	-	-	-	-
<u>12,750</u>	<u>294,612</u>	<u>14,315</u>	<u>412,409</u>	<u>32,863</u>	<u>-</u>
14,686	(70,062)	295,805	111,475	135,241	489
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>14,686</u>	<u>(70,062)</u>	<u>295,805</u>	<u>111,475</u>	<u>135,241</u>	<u>489</u>
7,244	385,924	796,058	672,530	602,967	9,574
<u>\$ 21,930</u>	<u>\$ 315,862</u>	<u>\$ 1,091,863</u>	<u>\$ 784,005</u>	<u>\$ 738,208</u>	<u>\$ 10,063</u>

(Continued)

FLAGLER COUNTY, FLORIDA
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

Special Revenue Funds (Continued)

	Environmentally Sensitive Land	Utility Regulatory Authority	Government Services Bldg Operations	Transportation Impact Fees West	Park Impact Fees
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments/Impact fees	-	-	-	56,094	33,647
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Miscellaneous revenue	308,725	1,242	149,839	4,126	28,790
TOTAL REVENUES	308,725	1,242	149,839	60,220	62,437
EXPENDITURES:					
Current:					
General government	-	-	504,981	-	-
Public safety	-	-	-	-	-
Physical environment	1,233,623	6,777	-	-	-
Transportation	-	-	-	1,683	-
Economic environment	-	-	-	-	-
Human services	-	-	-	-	-
Culture and recreation	-	-	-	-	240,692
Court related	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	10,409	-
TOTAL EXPENDITURES	1,233,623	6,777	504,981	12,092	240,692
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(924,898)	(5,535)	(355,142)	48,128	(178,255)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	416,957	-	-
Transfers out	-	-	-	-	-
Long term debt issued	-	-	-	-	-
Premium from long term debt issued	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	416,957	-	-
NET CHANGE IN FUND BALANCES	(924,898)	(5,535)	61,815	48,128	(178,255)
FUND BALANCES (DEFICITS), BEGINNING OF YEAR	6,981,076	26,460	-	(128,746)	663,941
FUND BALANCES (DEFICITS), END OF YEAR	\$ 6,056,178	\$ 20,925	\$ 61,815	\$ (80,618)	\$ 485,686

Special Revenue Funds

New Transportation Impact Fees- East	Economic Development	CDBG ED E10	CDBG FL Rock	State Housing Initiative	Bimini Gardens Municipal Service	Colbert Lane Settlement
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
265,022	-	-	-	-	5,763	-
-	-	-	-	-	-	-
-	-	3,687	523,204	743,082	-	-
-	-	-	-	-	-	-
186,664	47,548	-	-	120,840	579	3,070
<u>451,686</u>	<u>47,548</u>	<u>3,687</u>	<u>523,204</u>	<u>863,922</u>	<u>6,342</u>	<u>3,070</u>
-	-	-	-	-	176	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,642,455	-	-	-	-	6,168	-
-	29,158	3,687	523,204	1,063,185	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,642,455</u>	<u>29,158</u>	<u>3,687</u>	<u>523,204</u>	<u>1,063,185</u>	<u>6,344</u>	<u>-</u>
(1,190,769)	18,390	-	-	(199,263)	(2)	3,070
-	-	-	-	-	54	-
(241,817)	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>(241,817)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54</u>	<u>-</u>
(1,432,586)	18,390	-	-	(199,263)	52	3,070
1,539,713	925,109	-	-	1,156,372	11,516	59,715
<u>\$ 107,127</u>	<u>\$ 943,499</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 957,109</u>	<u>\$ 11,568</u>	<u>\$ 62,785</u>

(Continued)

FLAGLER COUNTY, FLORIDA
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

Special Revenue Funds (Continued)

	Espanola Mosquito Control	Rima Ridge Mosquito Control	Municipal Services	Building Department
Taxes	\$ -	\$ -	\$ -	\$ -
Special assessments/impact fees	1,365	2,331	-	-
Licenses and permits	-	-	27,755	647,948
Intergovernmental	7,910	7,976	1,037,873	-
Charges for services	-	-	1,000,975	8,112
Fines and forfeitures	-	-	428	-
Miscellaneous revenue	192	499	39,954	74,974
TOTAL REVENUES	9,467	10,806	2,106,985	731,034
EXPENDITURES:				
Current:				
General government	-	-	1,024,275	-
Public safety	-	-	131,846	832,648
Physical environment	-	-	-	-
Transportation	-	-	703,659	-
Economic environment	-	-	-	-
Human services	8,113	8,240	119,494	-
Culture and recreation	-	-	-	-
Court related	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
TOTAL EXPENDITURES	8,113	8,240	1,979,274	832,648
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,354	2,566	127,711	(101,614)
OTHER FINANCING SOURCES (USES):				
Transfers in	12	22	-	145,746
Transfers out	-	-	(151,003)	-
Long term debt issued	-	-	-	-
Premium from long term debt issued	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	12	22	(151,003)	145,746
NET CHANGE IN FUND BALANCES	1,366	2,588	(23,292)	44,132
FUND BALANCES (DEFICITS), BEGINNING OF YEAR	5,978	9,831	921,397	1,474,207
FUND BALANCES (DEFICITS), END OF YEAR	\$ 7,344	\$ 12,419	\$ 898,105	\$ 1,518,339

Special Revenue Funds

Mediation and Arbitration	Court Services	Domestic Violence	Alcohol and Other Drug Trust Fund	Court Technology	Juvenile Diversion
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	1,531	2,286	411,792	25,618
970	1,836	336	222	73,012	4,352
<u>970</u>	<u>1,836</u>	<u>1,867</u>	<u>2,508</u>	<u>484,804</u>	<u>29,970</u>
-	-	-	-	862	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	55,353	-	10	1,712,774	-
-	-	-	-	-	-
-	31	-	-	-	-
<u>-</u>	<u>55,384</u>	<u>-</u>	<u>10</u>	<u>1,713,636</u>	<u>-</u>
<u>970</u>	<u>(53,548)</u>	<u>1,867</u>	<u>2,498</u>	<u>(1,228,832)</u>	<u>29,970</u>
-	2,093	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>2,093</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>970</u>	<u>(51,455)</u>	<u>1,867</u>	<u>2,498</u>	<u>(1,228,832)</u>	<u>29,970</u>
19,001	51,427	7,106	4,573	1,434,727	83,172
<u>\$ 19,971</u>	<u>\$ (28)</u>	<u>\$ 8,973</u>	<u>\$ 7,071</u>	<u>\$ 205,895</u>	<u>\$ 113,142</u>

(Continued)

FLAGLER COUNTY, FLORIDA
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

Special Revenue Funds (Continued)

	Crime Prevention	Court Innovations	Teen Court	E-911	Daytona North Service District
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 72,024
Special assessments/impact fees	-	-	-	-	262,074
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	178,243	-
Charges for services	-	-	-	-	-
Fines and forfeitures	35,439	25,257	42,894	-	-
Miscellaneous revenue	4,049	2,391	88	320,504	3,891
TOTAL REVENUES	39,488	27,648	42,982	498,747	337,989
EXPENDITURES:					
Current:					
General government	-	-	-	-	35,283
Public safety	-	-	-	436,281	-
Physical environment	-	-	-	-	-
Transportation	-	-	-	-	233,860
Economic environment	-	-	-	-	-
Human services	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Court related	-	-	64,293	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	325	-	192
TOTAL EXPENDITURES	-	-	64,618	436,281	269,335
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	39,488	27,648	(21,636)	62,466	68,654
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	10,598	-	2,494
Transfers out	-	-	-	-	-
Long term debt issued	-	-	-	-	-
Premium from long term debt issued	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	10,598	-	2,494
NET CHANGE IN FUND BALANCES	39,488	27,648	(11,038)	62,466	71,148
FUND BALANCES (DEFICITS), BEGINNING OF YEAR	73,002	48,459	-	315,577	(5,984)
FUND BALANCES (DEFICITS), END OF YEAR	\$ 112,490	\$ 76,107	\$ (11,038)	\$ 378,043	\$ 65,164

Special Revenue Funds

Court General	Court Technology	Records Modernization	Law Enforcement Education	Grants and Donations
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
41,328	-	-	-	-
1,751,383	391,203	124,735	12,308	-
-	-	-	-	-
23,184	2,190	1,115	-	21,100
<u>1,815,895</u>	<u>393,393</u>	<u>125,850</u>	<u>12,308</u>	<u>21,100</u>
-	-	161,513	-	-
-	-	-	11,841	15,050
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,888,950	825,485	-	-	-
-	-	-	-	-
<u>1,888,950</u>	<u>825,485</u>	<u>161,513</u>	<u>11,841</u>	<u>15,050</u>
<u>(73,055)</u>	<u>(432,092)</u>	<u>(35,663)</u>	<u>467</u>	<u>6,050</u>
200,000	-	-	-	-
(188,720)	-	-	-	-
-	-	-	-	-
<u>11,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(61,775)	(432,092)	(35,663)	467	6,050
61,775	673,758	230,563	829	3,847
<u>\$ -</u>	<u>\$ 241,666</u>	<u>\$ 194,900</u>	<u>\$ 1,296</u>	<u>\$ 9,897</u>

(Continued)

FLAGLER COUNTY, FLORIDA
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Special Revenue Funds (Continued)</u>		<u>Debt Service Funds</u>
	<u>Inmate Welfare</u>	<u>Total</u>	<u>Environmentally Sensitive Lands</u>
Taxes	\$ -	\$ 1,789,607	\$ 567,083
Special assessments/Impact fees	-	626,296	-
Licenses and permits	-	675,703	-
Intergovernmental	-	3,289,990	-
Charges for services	-	4,380,245	-
Fines and forfeitures	-	824,501	-
Miscellaneous revenue	64,463	1,659,525	39,983
TOTAL REVENUES	64,463	13,245,867	607,066
EXPENDITURES:			
Current:			
General government	-	1,727,090	423
Public safety	59,418	1,539,469	-
Physical environment	-	1,240,669	-
Transportation	-	4,990,509	-
Economic environment	-	2,031,643	-
Human services	-	194,638	-
Culture and recreation	-	287,601	-
Court related	-	4,854,227	-
Debt service:			
Principal retirement	-	128,525	525,000
Interest and fiscal charges	-	24,527	66,108
TOTAL EXPENDITURES	59,418	17,018,898	591,531
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	5,045	(3,773,031)	15,535
OTHER FINANCING SOURCES (USES):			
Transfers in	-	849,848	-
Transfers out	-	(640,329)	-
Long term debt issued	-	-	-
Premium from long term debt issued	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	209,519	-
NET CHANGE IN FUND BALANCES	5,045	(3,563,512)	15,535
FUND BALANCES (DEFICITS), BEGINNING OF YEAR	10,245	19,831,966	485,246
FUND BALANCES (DEFICITS), END OF YEAR	\$ 15,290	\$ 16,268,454	\$ 500,781

Debt Service Funds

Reserve Colbert Lane	ESL Bond Sinking	Capital Construction	Capital Construction GO Issue	Total
\$ -	\$ 555,409	\$ 1,436,373	\$ -	\$ 2,558,865
-	-	-	-	410,241
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
28,520	58,544	185,428	19,446	340,944
<u>28,520</u>	<u>613,953</u>	<u>1,621,801</u>	<u>19,446</u>	<u>3,310,050</u>
-	834	3,638	845	17,288
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	470,000	1,140,000	610,000	3,055,000
-	202,444	1,454,270	1,368,578	3,186,319
-	673,278	2,597,908	1,979,423	6,258,607
<u>28,520</u>	<u>(59,325)</u>	<u>(976,107)</u>	<u>(1,959,977)</u>	<u>(2,948,557)</u>
-	-	1,328,374	1,982,578	3,314,850
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>1,328,374</u>	<u>1,982,578</u>	<u>3,314,850</u>
28,520	(59,325)	352,267	22,601	366,293
558,023	1,027,497	4,454,254	13,895	6,567,176
<u>\$ 586,543</u>	<u>\$ 968,172</u>	<u>\$ 4,806,521</u>	<u>\$ 36,496</u>	<u>\$ 6,933,469</u>

FLAGLER COUNTY, FLORIDA
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

Capital Projects Funds

	Environmental Land	Beach Front Parks	Park Maintenance Trust	Total	Total Non-Major Governmental Funds
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 4,348,472
Special assessments/Impact fees	-	-	-	-	1,036,537
Licenses and permits	-	-	-	-	675,703
Intergovernmental	-	-	-	-	3,289,990
Charges for services	-	-	-	-	4,380,245
Fines and forfeitures	-	-	-	-	824,501
Miscellaneous revenue	5,479	59,584	39,870	104,933	2,105,402
TOTAL REVENUES	5,479	59,584	39,870	104,933	16,660,850
EXPENDITURES:					
Current:					
General government	-	-	438	438	1,744,816
Public safety	-	-	-	-	1,539,469
Physical environment	-	-	-	-	1,240,669
Transportation	-	1,264	-	1,264	4,991,773
Economic environment	-	-	-	-	2,031,643
Human services	-	-	-	-	194,638
Culture and recreation	-	25,063	-	25,063	312,664
Court related	-	-	-	-	4,854,227
Debt service:					
Principal retirement	-	-	-	-	3,183,525
Interest and fiscal charges	-	-	-	-	3,210,846
TOTAL EXPENDITURES	-	26,327	438	26,765	23,304,270
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	5,479	33,257	39,432	78,168	(6,643,420)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	4,164,698
Transfers out	-	-	-	-	(640,329)
Long term debt issued	-	-	-	-	-
Premium from long term debt issued	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	3,524,369
NET CHANGE IN FUND BALANCES	5,479	33,257	39,432	78,168	(3,119,051)
FUND BALANCES (DEFICITS), BEGINNING OF YEAR	106,575	1,266,232	781,367	2,154,174	28,553,316
FUND BALANCES (DEFICITS), END OF YEAR	\$ 112,054	\$ 1,299,489	\$ 820,799	\$ 2,232,342	\$ 25,434,265

FLAGLER COUNTY, FLORIDA
 COMBINING STATEMENT OF NET ASSETS -
 - NONMAJOR PROPRIETARY FUNDS
 SEPTEMBER 30, 2007

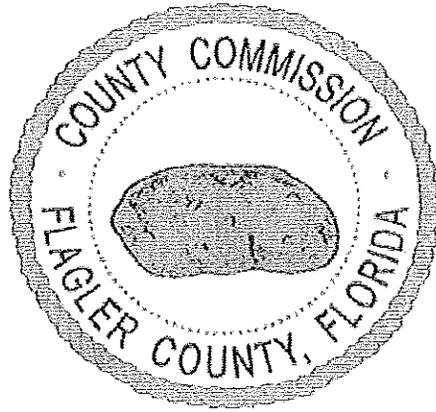
ASSETS	Nonmajor Proprietary Funds		Total
	Transportation	Waste Management	
Current assets:			
Cash and equivalents	\$ 147,841	\$ 72,179	\$ 220,020
Accounts receivable, net	1,155	162,034	163,189
Due from other funds	121,379	55	121,434
Due from other governments	139,049	-	139,049
Total current assets	409,424	234,268	643,692
Noncurrent assets:			
Land and construction in progress	9,893	-	9,893
Other capital assets, net of accumulated depreciation	672,922	-	672,922
Total noncurrent assets	682,815	-	682,815
Total assets	\$ 1,092,239	\$ 234,268	\$ 1,326,507
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 36,655	\$ 120,006	\$ 156,661
Due to other funds	36,392	14,506	50,898
Due to other governments	395	-	395
Deferred revenue	-	-	-
Compensated absences	26,659	43	26,702
Total current liabilities	100,101	134,555	234,656
Noncurrent liabilities:			
Advances from other funds	439,851	-	439,851
Total liabilities	539,952	134,555	674,507
NET ASSETS			
Invested in capital assets, net of related debt	682,815	-	682,815
Unrestricted	(130,528)	99,713	(30,815)
Total net assets	552,287	99,713	652,000
Total Liabilities and Net Assets	\$ 1,092,239	\$ 234,268	\$ 1,326,507

FLAGLER COUNTY, FLORIDA
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN NET ASSETS- NONMAJOR PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Nonmajor Proprietary Funds		Total
	Transportation	Waste Management	
OPERATING REVENUES:			
Charges for services	\$ 798,688	969,535	\$ 1,768,223
Miscellaneous	14,690	17,700	32,390
Total operating revenues	813,378	987,235	1,800,613
OPERATING EXPENSES:			
Personal services	961,182	24,339	985,521
Vehicle fuel	186,588	-	186,588
Contractual services	1,925	926,550	928,475
Repairs and maintenance	83,943	13	83,956
Professional services	35,881	-	35,881
Utilities	6,821	-	6,821
Insurance	21,274	-	21,274
Depreciation	189,750	-	189,750
Miscellaneous	75,465	28,742	104,207
Total operating expenses	1,562,829	979,644	2,542,473
Operating loss / Income	(749,451)	7,591	(741,860)
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	500,649	-	500,649
Franchise fees	-	87,814	87,814
Interest income	10,702	4,308	15,010
Interest expense	(22,891)	-	(22,891)
Total nonoperating revenue (expense)	488,460	92,122	580,582
Income (loss) before contributions and transfers	(260,991)	99,713	(161,278)
Transfers in, other funds	179,408	-	179,408
Change in net assets	(81,583)	99,713	18,130
Net assets, beginning of year	633,870	-	633,870
Net assets, end of year	\$ 552,287	\$ 99,713	\$ 652,000

FLAGLER COUNTY, FLORIDA
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Transportation	Waste Management	Total
Cash flows from operating activities			
Receipts from customers	\$ 940,381	\$ 807,501	\$ 1,747,882
Payments to suppliers	(385,225)	(835,298)	(1,220,523)
Payments to employees	(953,109)	(24,296)	(977,405)
Other receipts	14,690	17,700	32,390
Net cash provided (used) by operating activities	(383,263)	(34,393)	(417,656)
Noncapital financing activities			
Franchise fees	-	87,813	87,813
Increase (decrease) in due from other funds	(72,966)	(55)	(73,021)
Increase (decrease) in due to other funds	(16,801)	14,506	(2,295)
Operating transfers in	179,408	-	179,408
Net cash provided by noncapital financing activities	89,641	102,264	191,905
Capital and related financing activities			
Acquisition and construction of capital assets	(126,167)	-	(126,167)
Intergovernmental	500,649	-	500,649
Interest expense	(22,891)	-	(22,891)
Net cash provided by capital and related financing activities	351,591	-	351,591
Investing activities			
Interest on investments	10,702	4,308	15,010
Net cash provided by investing activities	10,702	4,308	15,010
Net increase in cash and equivalents	68,671	72,179	140,850
Cash and equivalents, beginning of year	79,170	-	79,170
Cash and equivalents, end of year	\$ 147,841	\$ 72,179	\$ 220,020
Cash and equivalents, end of year			
Unrestricted	\$ 147,841	\$ 72,179	\$ 220,020
Restricted	-	-	-
	\$ 147,841	\$ 72,179	\$ 220,020
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ (749,451)	\$ 7,591	\$ (741,860)
Adjustment to reconcile operating loss to net cash used in operations:			
Depreciation	189,750	-	189,750
Changes in assets and liabilities:			
Accounts receivable	5,493	(162,034)	(156,541)
Due from other governments	136,200	-	136,200
Accounts payable and accrued expenses	29,866	120,007	149,873
Deferred revenue	(2,919)	-	(2,919)
Due to other governments	(275)	-	(275)
Compensated absences	8,073	43	8,116
Net cash provided (used) by operating activities	\$ (383,263)	\$ (34,393)	\$ (417,656)



FLAGLER COUNTY, FLORIDA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
 STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

Federal/State Agency/ Pass-Through Entity Program/State Project Title	Federal Number	CFDA/CFSA Number	Contract/Grant Number	Program/Project Award	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	\$ 42,711
Federal Transit Administration Passed Through the Department of Transportation					
Section 5310 Capital Projects		20.513	TD0473	72,000	70,703
Department of Health and Human Services Passed Through the Northeast Florida Agency on Aging					
Older Americans Act Title III B		93.044	A006FCBCC	102,131	14,346
Older Americans Act Title III B		93.044	A007FCBCC	102,943	96,171
Older Americans Act Title III C1		93.045	A006FCBCC	76,305	13,338
Older Americans Act Title III C1		93.045	A007FCBCC	91,052	78,631
Older Americans Act Title III C2		93.045	A006FCBCC	45,174	14,756
Older Americans Act Title III C2		93.045	A007FCBCC	52,356	43,980
Emergency Home Energy Assistance		93.568	P006FCBCC	9,321	4,296
Emergency Home Energy Assistance		93.568	P007FCBCC	8,950	4,212
Older Americans Act Title III E		93.052	A006FCBCC	33,068	13,070
Older Americans Act Title III E		93.052	A007FCBCC	33,946	29,401
Passed Through the Florida Department of Revenue					
Title IV-D Child Support		93.563	CC318	79,396	41,329
United States Department of Agriculture Passed Through the Northeast Florida Agency on Aging					
Nutrition Services Incentive Program		10.570	U007FCBCC	30,937	30,937
Passed Through the Florida Department of Law Enforcement					
Children's Justice Act		93.643	N/A	247	247
United States Federal Emergency Management Agency Passed Through the State of Florida Department of Community Affairs					
EMPA Base Grant		97.042	07BG-04-04-28-01-218	26,591	26,591

FLAGLER COUNTY, FLORIDA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
 STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED SEPTEMBER 30, 2007
 (Continued)

Federal/State Agency/ Pass-Through Entity Program/State Project Title	Federal Number	CFDA/CFSA Number	Contract/Grant Number	Program/Project Award	Program/Project Expenditures
United States Department of Transportation Federal Aviation Administration Environmental Assessment-Runaway 11/29 Relocation, Apron Area for Add'l Tie-downs & Partial Construction of Taxiway H		20.106	3-12-0009-11-2007	332,438	35,635
Extension & Rehabilitation of Taxiway E		20.106	3-12-0009-12-2007	86,500	81,918
United States Department of Homeland Security Passed Through the Florida Division of Emergency Management					
State Homeland Security Waterborne program	97.067	97.067	06-DS-3W-04-28-01-256; 07- DS-5N-04-28-01-364 NA	55,150 3,805	53,479 3,805
Passed Through the Florida Department of Law Enforcement					
Law Enforcement Terrorism		97.004	05-CJ-L2-03-28-23-002	10,000	10,000
United States Department of Fish & Wildlife Passed Through the Florida Fish & Wildlife Conservation Commission					
Artificial Reef		15.605	FCWC04017	39,900	347
United States Department of Transportation Passed Through the Florida Department of Transportation					
Strategies to Reduce Youth Drunk and Drugged Driving Flagler Speed Reduction Program	20.605	20.605	AOL02 AOM45	53,500 36,050	39,525 34,037
United States Bureau of Justice Assistance					
COPS Grant Program Bulletproof Vests	16.710	16.607	2005CKWX0512 2006	236,858 19,883	131,094 19,883
Passed Through the Florida Department of Law Enforcement					
Edward Byrne Formula Grant Program		16.579	2007-JAGC-FLAG-1-P3-029	43,504	43,504
Passed Through the Florida Office of the Attorney General					
Victims of Crime Act		16.575	V6253	73,005	73,005

FLAGLER COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(Continued)

<u>Federal/State Agency/ Pass-Through Entity Federal Program/State Project Title</u>	<u>CFDA/CFSA Number</u>	<u>Contract/Grant Number</u>	<u>Program/Project Award</u>	<u>Program/Project Expenditures</u>
Federal Highway Administration Passed Through the Florida Department of Transportation				
LAP Design of Phases 1,2,3 of Lehigh Trails-to-Trails	20.205	AN959-410769-1-38-01	207,000	19,300
Operating Assistance 5311	20.509	FPN416471-1-84-24	111,213	16,215
Operating Assistance 5311	20.509	FPN416471-1-84-25	279,698	183,040
Department of Housing and Urban Development Passed Through the Florida Department of Community Affairs				
Community Development Block Grant Economic Development	14.228	04-DB-1A-04-28-01-E10	513,900	3,687
Sawgrass-Florida Rock	14.228	05-DB-2Q-10-27-01-E11	695,389	523,204
General Services Administration Passed Through Florida Department of State				
Voter Education	90.401	2007	10,822	1,282
Pollworker Recruitment and Training	90.401	2005	13,707	4,094
Total Expenditures of Federal Awards			<u>\$ 3,417,801</u>	<u>\$ 1,684,220</u>

FLAGLER COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(Continued)

Federal/State Agency/ Pass-Through Entity Project Title	Federal Program/State	CFDA/CFSA Number	Contract/Grant Number	Program/Project Award	Program/Project Expenditures
STATE AWARDS					
Florida Department of Transportation					
FDOT Aviation Grant/Security Enhancements		55.004	FPN415206-1-94-01	\$ 333,500	\$ 116,570
Flagler Co Assessment Study of Transit Needs		N/A	FPN422626-1-14-01	17,100	17,100
Air Traffic Control Tower Phase I Design		55.004	AO537-FPN404920-1-94-01	193,472	96,846
Environmental Assessment for Near Term Capital Improvement Projects & Air Traffic Control Tower		N/A	AOV22-FPN40496719401	8,750	938
Small County Outreach Program CR305 From Volusia County Line to CR304		55.009	FPN407463-2-58-01	1,329,216	1,329,216
Florida Commission for the Transportation Disadvantaged					
Trip and Equipment		55.001	AOF88-FM2485201840; 24885203841	182,948	123,127
Trip and Equipment		55.001	AOT53-FM2485201840; 24885203841	190,628	44,401
Rural Capital Equipment Support		55.001	AOG54-FM 41065618401	46,062	46,062
Department of Elder Affairs Passed Through the Northeast Florida Agency on Aging					
Home and Community Based Medicaid Waiver		N/A	S007FCBCC	296,747	102,237
Home and Community Based Medicaid Waiver		N/A	S008FCBCC	326,261	24,364
Community Care for the Elderly		65.010	C006FCBCC	126,268	81,024
Community Care for the Elderly		65.010	C007FCBCC	126,268	48,456
Home Care for the Elderly		65.001	H006FCBCC	12,797	-
Home Care for the Elderly		65.001	H007FCBCC	13,551	-
Alzheimer's Disease Initiative - Respite Service		65.004	Z006FCBCC	55,791	46,839
Alzheimer's Disease Initiative - Respite Service		65.004	Z007FCBCC	55,791	18,759
Department of Children & Families Volusia/Flagler Coalition for the Homeless, Inc - Emergency Shelter Program					
		60.021	FCHS2007	4,142	4,142
Department of Agriculture and Consumer Services Mosquito Control Program					
		42.003	011678	35,000	15,886
Department of Community Affairs Update Hazardous Materials EMPA Base Grant 04/05 SLA Grant					
		52.023	07CP-11-04-28-01-022	2,094	1,990
		52.008	07BG-04-04-28-01-218	96,257	96,257
Department of Health Emergency Management Grant					
		64.005	C6018	21,450	21,268

FLAGLER COUNTY, FLORIDA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
 STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED SEPTEMBER 30, 2007
 (Continued)

Federal/State Agency/ Pass-Through Entity Program/State Project Title	Federal Number	CFDA/CFSA Number	Contract/Grant Number	Program/Project Award	Program/Project Expenditures
Division of Historical Resources Mala Compra Plantation Site-Phase III		45.032	SC622	226,479	23,574
Division of Library and Information Systems State Aid to Libraries		45.030	07-ST-14	33,935	33,935
Leaps and Bounds		45.042	07-CLIC-01	10,000	9,909
Department of Environmental Protection Small County Consolidated Grant		37.012	SC707	191,176	191,176
Old Dixie Community Park		37.017	F50022	200,000	153,189
Florida Housing Finance Corporation State Housing Initiatives Partnership Program		52.901	N/A	1,063,287	1,063,287
				<u>\$ 5,198,970</u>	<u>\$ 3,710,552</u>
Total Expenditures of Federal Awards and State Financial Assistance				<u>\$ 8,616,771</u>	<u>\$ 5,394,772</u>

FLAGLER COUNTY, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2007

(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, 2007, there were no transfers of Federal or State Funds to subrecipients outside Flagler County, Florida.

Partners:

John R. Hopkins
James A. Wright, Jr.
James S. LaHam
Ross A. Whitley
W. Ed Moss
Philip J. Hayes
Brian L. Nemeroff

**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



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, 2007. 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.

FLAGLER OFFICE

8035 Spyglass Hill Road
Melbourne, FL 32940

phone: 321.757.2020
fax: 321.242.4844

ORLANDO OFFICE

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

phone: 407.644.5811
fax: 407.644.6022

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, 2007.

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 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-entities through and is not intended to be and should not be used by anyone other than those specified parties.

September 8, 2008
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

**FLAGLER COUNTY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2007**

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:

<u>CFDA Number</u>	<u>Name of Program</u>
14.218	Department of Housing and Urban Development Community Development Block Grant

**FLAGLER COUNTY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2007**

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>
52.901	Department of Florida Housing Finance Corp State Housing Initiative Partnership Program
55.009	Department of Transportation Small County Outreach 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.



Partners:
John R. Hopkins
James A. Wright, Jr.
James S. LaHam
Ross A. Whitley
W. Ed Moss
Philip J. Hayes
Brian L. Nemeroff

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

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, 2007, which collectively comprise Flagler County, Florida's basic financial statements and have issued our report thereon dated April 21, 2008. 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

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.

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'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 Flagler County's financial statements that is more than inconsequential will not be prevented or detected by Flagler 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 Flagler County'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.

FLAGLER OFFICE

8035 Spyglass Hill Road
Melbourne, FL 32940

phone: 321.757.2020
fax: 321.242.4844

ORLANDO OFFICE

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

phone: 407.644.5811
fax: 407.644.6022

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 September 8, 2008.

Flagler County's response to the matters 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 is not intended to be and should not be used by anyone other than those specified parties.

September 8, 2008
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Partners:

John R. Hopkins
James A. Wright, Jr.
James S. LaHam
Ross A. Whitley
W. Ed Moss
Phillip J. Hayes
Brian L. Nemeroff

MANAGEMENT LETTER

Board of County Commissioners
Flagler County, Florida

We have audited the financial statements of Flagler County, Florida as of and for the fiscal year ended September 30, 2007, and have issued our report thereon dated April 21, 2008



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; 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 September 8, 2008, should be considered in conjunction with this management letter.

BREVARD OFFICE

8035 Spyglass Hill Road
Melbourne, FL 32940

phone: 321.757.2020
fax: 321.242.4844

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 question costs, this letter is required to include the following information.

ORLANDO OFFICE

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

phone: 407.644.5811
fax: 407.644.6022

The *Rules of the Auditor General* (Section 10.554(1)(i)1) require 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 findings or recommendations in the preceding annual financial audit report.

The *Rules of the Auditor General* (Section 10.554(1)(i)2) 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 Flagler County, Florida complied with Section 218.415, Florida Statutes.

The *Rules of the Auditor General* (Section 10.554(1)(i)3) require that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, such matters are noted in the accompanying schedule of "Current Year Recommendations to Improve Financial Management, Accounting Procedures and Internal Controls."

The *Rules of the Auditor General* (Section 10.554(1)(i)4) requires that we address violations of provisions of contracts and grant agreements or abuse that have as effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

The *Rules of the Auditor General* (Section 10.554(1)(i)5) requires, based on professional judgment, the reporting of the following matters that are inconsequential to the 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 financial statements; (2) Improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) Control 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) Other inaccuracies, shortages, defalcations and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed no matters required to be disclosed by *Rules of the Auditor General* (Sections 10.554(1)(h)4).

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, 2007.

As required by the *Rules of the Auditor General* (Section 10.554(1)(i)7.a.), a statement must be included as to whether or not the local government 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.

As required by the *Rules of the Auditor General* (Section 10.554(1)(i)7.b.), we determined that the annual financial report for Flagler County, Florida for the fiscal year ended September 30, 2007, 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, 2007.

As required by the *Rules of the Auditor General* (Sections 10.554(1)(i)7.c. and 10.556(7)), 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.

This management letter 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 these specified parties.

September 8, 2008
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

**FLAGLER COUNTY, FLORIDA
CURRENT YEAR RECOMMENDATIONS
SEPTEMBER 30, 2007**

Flagler County Board of Commissioners

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
CURRENT YEAR RECOMMENDATIONS
SEPTEMBER 30, 2007**

Flagler County Board of Commissioners (continued)

07-01 Purchasing and Cash Disbursement Procedures and Policies (continued)

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.

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.

**FLAGLER COUNTY, FLORIDA
CURRENT YEAR RECOMMENDATIONS
SEPTEMBER 30, 2007**

Flagler County Board of Commissioners (continued)

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 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.

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.

FLAGLER COUNTY, FLORIDA
CURRENT YEAR RECOMMENDATIONS
SEPTEMBER 30, 2007

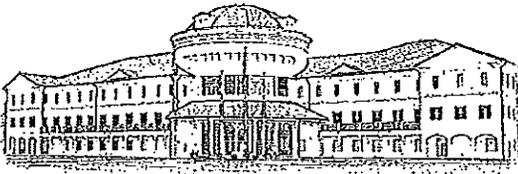
Flagler County Board of Commissioners (continued)

07-04 Commission Minutes (continued)

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.

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.



Flagler County

Board of County Commissioners



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

September 15, 2008

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, 2007. 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.

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07-01

Purchasing and Cash Disbursements Procedures and Policies

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.

Response: We agree with our auditors concerning their recommendation that "all steps of the current policies and procedures are followed and documented." To that end, we have shared with them some examples of improvements to our procurement monitoring practices which have already occurred. In addition, we recently adopted changes to the County's Purchasing Policies which could assist in that regard.

However, we disagree, at least in part, with portions of the documentation (contained in the "Condition" paragraphs). In support of their recommendation, our auditors cited three issues as part of their "Condition". The first issue cited was in connection with our auditor's sample of "13 invoices through the purchasing and disbursement process". As noted in our auditor's report, this sample represented a "haphazard selection" by our auditors. During the course of following up on our auditor's preliminary

James M. O'Connell
District 1

Millissa Holland
District 2

James A. Darby
District 3

Bob Abbott
District 4

George Hanns
District 5

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07-01

recommendations, the actual exceptions noted as a result of this particular test were reduced, based on documentation provided both by members of the Board of County Commissioners staff as well as by representatives of the Office of Flagler County Clerk of the Circuit Court. As a consequence, the condition stated by our auditor in connection with this issue note that "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 three transactions noted as an exception to our auditor's test had a total dollar value of \$6,535.22.

In the second paragraph of their "Condition" in support of this recommendation, our auditors discuss information brought to their attention during the course of their audit fieldwork by representatives of the Board of County Commissioners. That documentation, which consists of literally hundreds of invoices paid in connection with the construction of the new Flagler County Judicial Center, clearly indicates that the bulk of those invoices, which totaled in excess of \$10,000,000, were paid without the expenditure approval of an authorized representative of the Board of County Commissioners and in fact, at least one of those invoices, totaling over a quarter of a million dollars, was prepared, processed, and paid without any knowledge of the Board of County Commissioners or their staff until almost 8 months after it was paid. In our view, this represents a significant compromise to the system of internal controls, although it is only discussed briefly in our auditor's commentary.

Finally, in the third paragraph of the "Condition" for management letter comment 07-01, our auditors note that "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." This portion of the condition is apparently the catalyst for that portion of the recommendation which reads "Finally, we recommend that the Board of County Commissioners receive detailed information of all disbursements in the agenda packages."

We agree with this portion of our auditor's recommendation and, in fact, the Board of County Commissioners, both individually as well as through their County Administrator have long been requesting that the Clerk of the Circuit Court provide disbursement information on a much more comprehensive, yet timely basis.

As you know, the Clerk of the Circuit Court is vested, pursuant to the provisions of Article V, Section 16 of the Florida Constitution with specific responsibilities which include "serving as ex officio clerk of the board of county commissioners, auditor, recorder, and custodian of all county funds".

The method by which county funds are drawn from county depositories is established in Florida Law pursuant to the provisions of Section 136.06, Florida Statutes. Section

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07-01

136.06(1) provides the method by which funds are paid from county depositories and provides as follows:

"All money drawn from any depository qualified under the provisions of this chapter shall be upon a check or warrant issued by the board or officer drawing said board, attested by the clerk or secretary of said board with the corporate seal thereof affixed; however, money under the control of any school board may be withdrawn as may be otherwise provided by law."

As "auditor, recorder, and custodian of all county funds", it seems intuitive that the report contemplated by Section 136.06(1) Florida Statutes, would be prepared and presented to the Board of County Commissioners by the Clerk of the Circuit Court in a mutually acceptable format within a reasonable period of time. However, this information was not being provided in a timely manner, and still is not provided in a manner acceptable to Board of County Commissioners, either in terms of the details provided, or in the timeliness of its presentation. Over eight months ago, the County Administrator communicated our requested format for this report to the Clerk of the Circuit Court. In support of his request, the County Administrator provided examples from other jurisdictions, including the Indian River County Clerk of the Circuit Court, who also must comply with the provisions of Section 136.06(1), Florida Statutes. However, to this date, the information is still not being provided in either the format required by Section 136.06(1), Florida Statutes or as requested by the County Administrator. Finally, our auditors note that "this information was available upon request or at the Board meetings". This comment cannot be supported either by any available documentary evidence or through any information, obtained from any of the individual members of the Board of County Commissioners or their staff interviewed by our auditors. However, given the fact that the disbursement listing was approved by the Board as a summary statement attached to the official minutes of the Board of County Commissioners which were not submitted until months after the meeting took place (as detailed elsewhere in our auditors report) and given the fact that the report submitted was occasionally brought into question by one or more members of the Board of County Commissioners during the meeting without a response from the representatives of the Clerk's Office in attendance at the meeting, we must respectfully question the accuracy of the representation made by our auditors in this regard.

07-02 **Owner Direct Purchases**

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

Response: We generally agree with our auditors regarding the need for a formal policy regarding the use of owner direct purchases. Most of the major capital projects where owner direct purchases could provide cost savings to the County were completed or nearing completion prior to the end of the audit period. It is important to note that the auditor's own report indicates that "During the year, the County used owner direct

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purchases for several large construction projects". The County has historically taken advantage of the owner direct purchasing process in order to generate savings.

07-02

Although the County does not have any planned capital projects near the magnitude of those completed recently, we will consider the creation of a formal written policy for owner direct purchases.

07-03

Internal Billings

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.

Response: As noted by our auditors, "Of the 23 capital projects internal billing transactions we examined 22 were sent to the respective departments for review and approval." The one exception encountered during their testing was for an invoice, in the amount of \$259,905, tendered by the Flagler County Clerk of the Circuit Court, dated April 19, 2007 for "Clerk of Court Staff Hours Billable to Courthouse Project". This invoice appears to have been prepared, processed (i.e. approved) for payment, and paid by employees of the Clerk of the Circuit Court, a separately elected constitutional officer. Unlike internal billings made by employees of the Board of County Commissioners, which are supported by detailed timesheets from the billing department, this invoice was not documented in such a fashion and, in fact, contained retroactive billings for the fiscal years ending September 30, 2005 and 2006 (for which audits had already been completed prior to submission of the invoice) without any details, billing for the period October 1, 2006 through March 31, 2007 (again without any details), and **prospective billing** for the period of April 1, 2007 through August 31, 2007 (which obviously would have no details as to hours worked). In any event, while we support any policies and procedures which ensure that public funds entrusted to the care of government employees are adequately safeguarded, in this instance, not only would such a policy not guarantee the safety of those assets, the violation which occurred would not even be subject to such a policy since the subject transaction took place without the knowledge or complicity of the Board of County Commissioners or any of their employees, but rather occurred under the watch of a separately elected constitutional officer, the Clerk of the Circuit Court. In this instance, the exception noted would appear to create a conflict of interest with the Clerk's prescribed responsibility to preaudit claims against the Board of County Commissioners and their funds. Nevertheless, we will consider actions appropriate to govern the conduct of the Board of County Commissioners and their employees.

07-04

Commission Minutes

Recommendation: We recommend that the Board establish a timeline for presentation of draft minutes and Board approval.

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07-04

Response: The preparation of minutes is part of the duties assigned constitutionally to the Clerk of the Circuit Court. As noted above, the Clerk of the Circuit Court is vested, pursuant to the provisions of Article V, Section 16 of the Florida Constitution with specific responsibilities which include "serving as ex officio clerk of the board of county commissioners, auditor, recorder (emphasis supplied), and custodian of all county funds". The responsibilities of the Clerk of the Circuit Court as it pertains to the preparation of minutes is prescribed statutorily in Section 28.12, Florida Statutes, which reads in full as follows:

"28.12 Clerk of the board of county commissioners.--The clerk of the circuit court shall be clerk and accountant of the board of county commissioners. **He or she shall keep the minutes** (emphasis supplied) and accounts and perform such other duties as provided by law. The clerk shall have custody of the seal and affix the same to any paper or instrument as required by law."

Our auditors noted, in their criteria for this recommendation that "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." We agree with the statutory provision cited, however, when taken in concert with the provisions of Section 28.12, Florida Statutes restated above, it is unclear that the Board of County Commissioners has any role in the preparation and presentation of minutes. Once presented, the Board is simply responsible for correcting any inaccuracies and approving the minutes so amended. Based on the documentation presented by our auditors, it appears that the delays in the approval of the minutes occurred ostensibly because minutes were not "promptly recorded and open to public inspection" as required by the provisions of Section 286.011(2), Florida Statutes. However, once again, this responsibility has been statutorily assigned, pursuant to the provisions of Section 28.12, Florida Statutes, to a separately elected constitutional officer, the Clerk of the Circuit Court. Delays in approval of minutes were principally due to delays in their receipt from the Clerk of the Circuit Court.

We reported to our auditors (and provided them with specific communications in support of our representations) that, on numerous occasions in the past, individual members of the Board of County Commissioners and their County Administrator had requested that the Clerk of the Circuit Court submit minutes on a more timely basis. Unfortunately, the delays, although slightly improved, continue.

Although we are unaware of any other governmental jurisdiction with a "timeline" or policy governing the presentation of minutes, we asked our auditors to provide a sample of such a document. To date, we have not received any samples from which to base the recommended document.

Mr. David W. Martin, CPA
September 14, 2008
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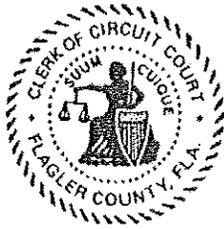
Nevertheless, given the fact that the preparation and presentation of the minutes are the responsibility of a separately elected constitutional officer, the Clerk of the Circuit Court, it is unclear whether or not any "timeline" or other policy document in this regard would be binding upon the Clerk of the Circuit Court. As discussed with our auditors, the Clerk of the Circuit Court prepares the minutes and then requests they be placed on the agenda at a date certain. The Board of County Commissioners has no control over that portion of the process and, in fact, virtually always places the minutes on their agenda as requested by the Clerk of the Circuit Court. Given the fact that the preparation of the minutes is clearly the responsibility of the Clerk of the Circuit Court (as provided in Section 28.12, Florida Statutes), we believe this comment would have been more properly addressed to the Clerk of the Circuit Court as a part of the audit of that office. Accordingly, we don't believe the creation of such a "non-binding" document serves any productive purpose, so we are disinclined to pursue the recommendation made by our auditors.

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

Sincerely,



Craig M. Coffey
County Administrator
Flagler County, Florida



GAIL WADSWORTH, Clerk of the Circuit Court

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

September 12, 2008

Honorable Board of County Commissioners
Flagler County, Florida
1769 East Moody Blvd
Bunnell, FL 32110

RE: Management Letter Comments – 09/30/07 – Annual Audit

Commissioners:

The audit firm of Berman Hopkins Wright & Laham has noted certain matters that came to their attention during the audit of the financial statements for the fiscal year ended September 30, 2007. This letter is intended to respond to their recommendations.

07- 01 Purchasing and Cash Disbursement Procedures and Policies

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.

Response: After reviewing the invoices selected, it has been noted that the 1 invoice which was not processed against an established purchase order and which was consequently processed after the closing of the purchase order; occurred as a result of the county department erroneously closing the purchase order thus creating the inability for them to apply it through the standard process.

The 1 invoice that was processed before a change order was established in the system occurred as a result of county staff not timely gaining a modification to the project related grant. The lengthy review and decision making process at the county department level delayed payment to the vendor for more than two months. In an effort to relieve the burden placed upon this small local vendor, the authorized invoice was processed without further delay.

Condition: 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.

Response: Most importantly and as supported by ^{Attorney} Auditor General Opinion 2001-29, as requested by Flagler County, in part states, "In accordance with the rationale underlying the conclusion in Attorney General Opinion 70-134, a clerk of court should be able to rely upon a county commission's determination that an expenditure fulfills a county purpose when it has obligated the county through a contract or agreement. In practical terms, when the goods or services secured by the county commission have been delivered or performed and the vendor seeks payment, there would be no need for the commission to make another determination that it serves a county purpose to issue a warrant for payment. At that point, the issuance of a warrant, once the clerk of court makes a determination that the expenditure is not illegal, would appear to be a ministerial act requiring no further action by the board of county commissioners".

Further, Flagler County Board of County Commissioners supported the Attorney General's Opinion on April 1, 2002 when it adopted Resolution 2002-42 which, "provides direction and authorization to the Clerk of Courts for the procedures to be followed in order to pay bills owed by Flagler County on a timely basis". It states in part, "All invoices relating to contracts, purchase orders, or agreements, which obligations have been previously approved by the Board, shall be deemed payable by the Board, and shall be paid in whole or in part when received by the Clerk's Office without requiring additional approval by the Board".

For these reasons, expenditures relating to these approximate 200 invoices were, for the most part, already approved through contracts, purchase orders or agreements by the board of county commissioners. Furthermore, the disbursement process as depicted in the stated criteria is that which has historically occurred. There is no written policy or procedure that supports the methods by which an invoice is to be processed. A signature on an invoice does not represent authorization; it is merely recognition that the goods or services secured by the county commission have been delivered or performed. In fact, the resolution by the board of county commissioners specifically states that once the Clerk receives the invoices, they shall be paid without requiring additional approval by the Board. Thus a signature is negligible in relation to the transaction authorization process for those invoices previously authorized by the board of county commissioners.

To endeavor beyond the contract authorization level of the board of county commissioners; after reviewing the approximate 200 invoices stated, the county employee who signed invoices representing receipt of goods or services was designated by the county administrator as asserted in the email to the county engineering, dated March 1, 2007. This authorization is additionally supported by the personnel action form which states, "This employee has been assigned the full-time duty as the County representative to the courthouse construction project" and was approved by the growth management director, human resources director and interim county administrator.

07-02 Owner Direct Purchases

Condition: During the year, the County used owner direct purchases for several large construction projects. For these purchases, there were 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, there were no noted instances where inappropriate expenditures were incurred.

Response: This is not an area under the supervision of the Clerk of Courts' Office; however, the Clerk stands ready to assist the Board of County Commissioners in the implementation and/or enforcement of any policies adopted by the Board as a result of this recommendation.

07-03 Internal Billings

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 billings transactions we examined 22 were sent to the respective departments for review and approval.

Response: This is not an area under the supervision of the Clerk of Courts Office; however, the Clerk stands ready to assist the Board of County Commissioners in the implementation and/or enforcement of any policies adopted by the Board as a result of this recommendation.

07-04 Commission Minutes

Condition: During the audit period, while it 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.

Response: The Clerk provides "unofficial results" within days of a meeting. Draft minutes and audio recordings are available upon request. The minutes prepared provide a detailed written record of all Board of County Commissioners regular meetings, special meetings, workshops and other meetings as requested.

Neither Florida Statutes 28, nor Constitutional Article VII, nor Florida Statutes 286 defines "promptly recorded". To provide records with the level of detail of the Flagler County Board of County Commissioners' meeting minutes, it requires a longer period of preparation and review. As a courtesy to the Board of County Commissioners, the Clerk of the Circuit Court affords the Board of County Commissioners the opportunity to review the record, adding to the length of time needed before minutes are available in final form.

Upon review of the timeframe and audit results we determined the meeting minutes that took longer than usual were mostly relating to the period between June 2007 and December 2007. Please note that during that period of time there were extenuating circumstances that resulted in the delay; such as the training of new staff in the Board Records department and movement of the Clerks' office operations, twice; first out of a building that seemingly had catastrophic conditions and second into a new facility.



Clerk of the Circuit Court
Gail Wadsworth



Partners:

John R. Hopkins
James A. Wright, Jr.
James S. LaHam
Ross A. Whitley
W. Ed Moss
Phillip J. Hayes
Brian L. Nemeroff

AUDITORS' RESPONSE

Board of County Commissioners
Flagler County, Florida

The following is in response to management's response of Flagler County, Florida dated September 15, 2008:

07-4 Commission Minutes



We are aware that there are no statutory definitions of what constitutes promptly recorded minutes. We are also aware that any Board of County Commissioner policies in regards to minutes submission is not binding on the Clerk of the Circuit Court. Our intent in this comment is for the Board of County Commissioners to document their expectations for the timeline of the minutes process, in a formal policy so at least a baseline can be established.

September 15, 2008
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

BREVARD OFFICE

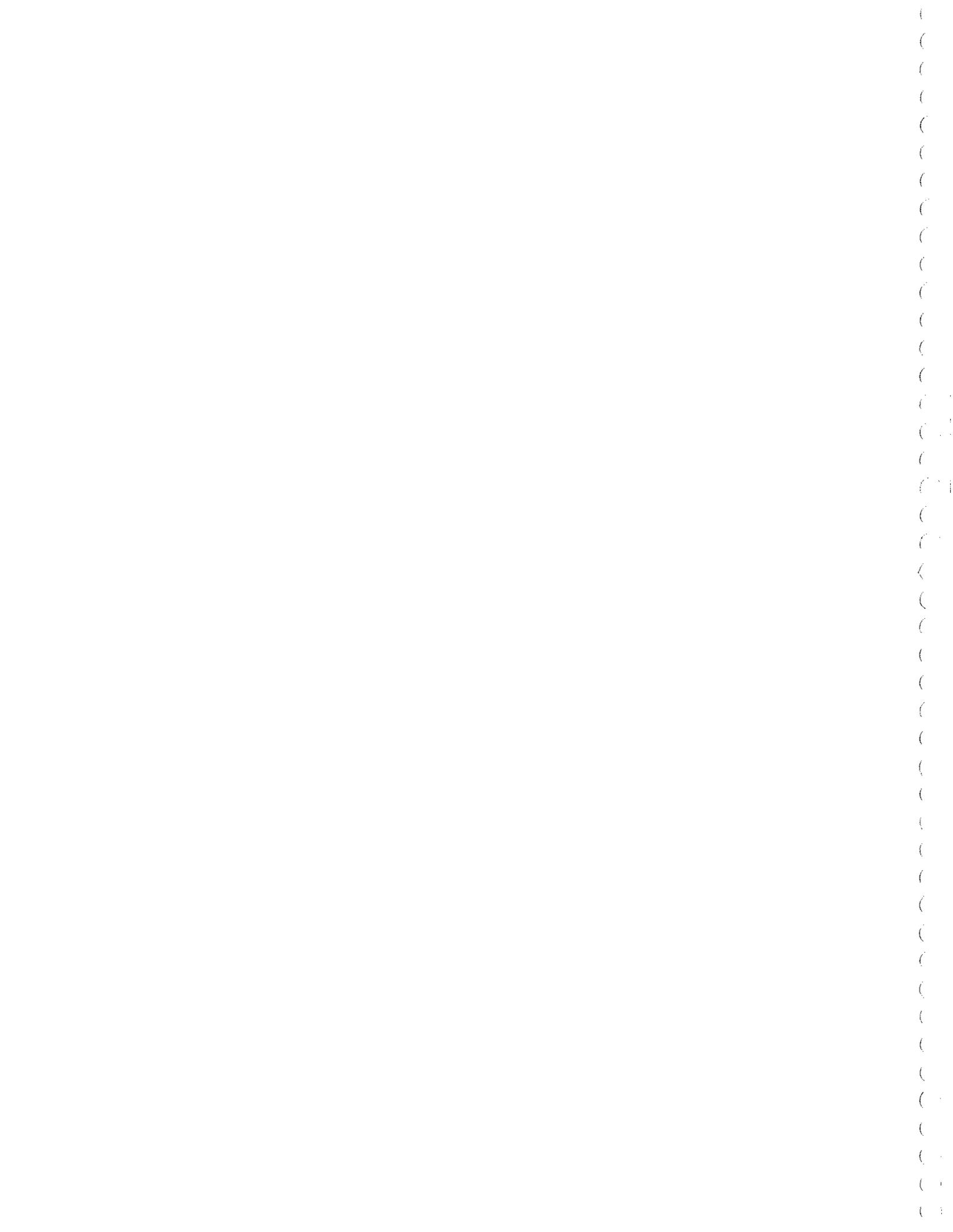
8035 Spyglass Hill Road
Melbourne, FL 32940

phone: 321.757.2020
fax: 321.242.4844

ORLANDO OFFICE

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

phone: 407.644.5811
fax: 407.644.6022

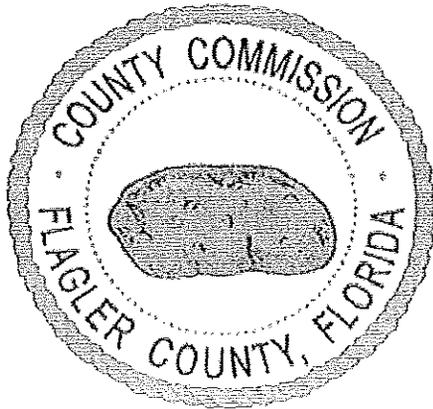


CLERK OF THE
CIRCUIT
COURT

CLERK OF THE CIRCUIT COURT
FLAGLER COUNTY, FLORIDA
SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

CLERK OF THE CIRCUIT COURT
FLAGLER COUNTY, FLORIDA
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SEPTEMBER 30, 2007

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Partners:

John R. Hopkins
James A. Wright, Jr.
James S. LaHam
Ross A. Whitley
W. Ed Moss
Philip J. Hayes
Brian L. Nemeroff

INDEPENDENT AUDITOR'S 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 the 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, 2007, 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.

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.

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.

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, 2007, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated, June 30, 2008, 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.

BREVARD OFFICE

8035 Spyglass Hill Road
Melbourne, FL 32940

phone: 321.757.2020
fax: 321.242.4844

ORLANDO OFFICE

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

phone: 407.644.5811
fax: 407.644.6022

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.

June 30, 2008
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, 2007

ASSETS	General Fund	Court General	Court Technology	Records Modernization	Total Governmental Funds
Cash and cash equivalents	\$ 1,003,905	\$ 187,516	\$ 745,222	\$ 266,000	\$ 2,202,643
Accounts receivable	16,585	988	-	-	17,573
Due from other funds	141,708	26,512	18,341	6,078	192,639
Due from Board of County Commissioners	121,830	-	-	-	121,830
Due from other governments	79,964	171,462	-	-	251,426
Other assets	5,890	-	-	-	5,890
TOTAL ASSETS	<u>\$ 1,369,882</u>	<u>\$ 386,478</u>	<u>\$ 763,563</u>	<u>\$ 272,078</u>	<u>\$ 2,792,001</u>
 LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable and accrued liabilities	\$ 266,314	\$ 10,464	\$ 87,709	\$ 77,175	\$ 441,662
Due to other funds	45,904	141,901	-	3	187,808
Due to Board of County Commissioners	28,922	190,007	434,188	-	653,117
Due to other governments	573,023	44,106	-	-	617,129
Deferred revenue	76,705	-	-	-	76,705
Deposits	379,014	-	-	-	379,014
TOTAL LIABILITIES	<u>1,369,882</u>	<u>386,478</u>	<u>521,897</u>	<u>77,178</u>	<u>2,355,435</u>
 Fund balances:					
Unreserved-undesignated	-	-	241,666	194,900	436,566
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,369,882</u>	<u>\$ 386,478</u>	<u>\$ 763,563</u>	<u>\$ 272,078</u>	<u>\$ 2,792,001</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, 2007

	General Fund	Court General	Court Technology	Records Modernization	Total Governmental Funds
REVENUES:					
Intergovernmental	\$ -	\$ 41,328	\$ -	\$ -	\$ 41,328
Charges for services	1,212,155	1,751,383	391,203	124,735	3,479,476
Miscellaneous revenue	519,038	23,184	2,190	1,115	545,527
TOTAL REVENUES	1,731,193	1,815,895	393,393	125,850	4,066,331
EXPENDITURES:					
Current:					
General government					
Personal services	1,726,507	-	-	-	1,726,507
Operating expenses	266,964	-	-	146,620	413,584
Capital outlay	66,489	-	-	14,893	81,382
Court related					
Personal services	-	1,363,477	-	-	1,363,477
Operating expenses	21,233	415,263	244,627	-	681,123
Capital outlay	-	1,546	580,858	-	582,404
TOTAL EXPENDITURES	2,081,193	1,780,286	825,485	161,513	4,848,477
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(350,000)	35,609	(432,092)	(35,663)	(782,146)
OTHER FINANCING SOURCES (USES):					
Transfers in- Board of County Commissioners	350,000	200,000	-	-	550,000
Reversion to other governments	-	(108,664)	-	-	(108,664)
Reversion to Board of County Commissioners	-	(188,720)	-	-	(188,720)
TOTAL OTHER FINANCING SOURCES (USES)	350,000	(97,384)	-	-	252,616
NET CHANGE IN FUND BALANCE	-	(61,775)	(432,092)	(35,663)	(529,530)
FUND BALANCES, BEGINNING OF YEAR	-	61,775	673,758	230,563	966,096
FUND BALANCES, END OF YEAR	\$ -	\$ -	\$ 241,666	\$ 194,900	\$ 436,566

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, 2007

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Charges for services	\$ 1,492,500	\$ 1,211,500	\$ 1,212,155	\$ 655
Miscellaneous revenue	340,000	540,200	519,038	(21,162)
TOTAL REVENUES	<u>1,832,500</u>	<u>1,751,700</u>	<u>1,731,193</u>	<u>(20,507)</u>
EXPENDITURES:				
Current:				
General government				
Personal services	2,150,000	2,198,200	1,726,507	471,693
Operating expenses	252,500	178,600	266,964	(88,364)
Capital outlay	-	2,200	66,489	(64,289)
Court related				
Operating expenses	-	23,500	21,233	2,267
TOTAL EXPENDITURES	<u>2,402,500</u>	<u>2,402,500</u>	<u>2,081,193</u>	<u>321,307</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(570,000)</u>	<u>(650,800)</u>	<u>(350,000)</u>	<u>300,800</u>
OTHER FINANCING SOURCES (USES):				
Transfers in- Board of County Commissioners	350,000	350,000	350,000	-
Transfers in- other funds	220,000	300,800	-	(300,800)
TOTAL OTHER FINANCING SOURCES (USES)	<u>570,000</u>	<u>650,800</u>	<u>350,000</u>	<u>(300,800)</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, 2007

	<u>Budgeted Amounts</u>			Variance With Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES:				
Intergovernmental	\$ 60,000	\$ 60,000	\$ 41,328	\$ (18,672)
Charges for services	2,012,035	1,976,917	1,751,383	(225,534)
Miscellaneous revenue	-	1,600	23,184	21,584
TOTAL REVENUES	<u>2,072,035</u>	<u>2,038,517</u>	<u>1,815,895</u>	<u>(222,622)</u>
EXPENDITURES:				
Current:				
Personal services	1,252,786	1,366,086	1,363,477	2,609
Operating expenses	378,913	414,713	415,263	(550)
Capital outlay	-	1,100	1,546	(446)
TOTAL EXPENDITURES	<u>1,631,699</u>	<u>1,781,899</u>	<u>1,780,286</u>	<u>1,613</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>440,336</u>	<u>256,618</u>	<u>35,609</u>	<u>(221,009)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in- Board of County Commissioners	200,000	200,000	200,000	-
Reversion to other governments	(336,133)	(163,615)	(108,664)	54,951
Reversion to Board of County Commissioners	(200,000)	(188,800)	(188,720)	80
TOTAL OTHER FINANCING SOURCES (USES)	<u>(336,133)</u>	<u>(152,415)</u>	<u>(97,384)</u>	<u>55,031</u>
NET CHANGE IN FUND BALANCE	104,203	104,203	(61,775)	(165,978)
FUND BALANCES, BEGINNING OF YEAR	<u>61,775</u>	<u>61,775</u>	<u>61,775</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 165,978</u>	<u>\$ 165,978</u>	<u>\$ -</u>	<u>\$ (165,978)</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, 2007

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Charges for services	\$ 440,000	\$ 440,000	\$ 391,203	\$ (48,797)
Miscellaneous revenue		-	2,190	2,190
TOTAL REVENUES	<u>440,000</u>	<u>440,000</u>	<u>393,393</u>	<u>(46,607)</u>
EXPENDITURES:				
Current:				
Court related				
Operating expenses	-	229,000	244,627	(15,627)
Capital outlay	-	581,400	580,858	542
TOTAL EXPENDITURES	<u>-</u>	<u>810,400</u>	<u>825,485</u>	<u>(15,085)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>440,000</u>	<u>(370,400)</u>	<u>(432,092)</u>	<u>(61,692)</u>
NET CHANGE IN FUND BALANCE	440,000	(370,400)	(432,092)	(61,692)
FUND BALANCES, BEGINNING OF YEAR	<u>673,758</u>	<u>673,758</u>	<u>673,758</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,113,758</u>	<u>\$ 303,358</u>	<u>\$ 241,666</u>	<u>\$ (61,692)</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, 2007

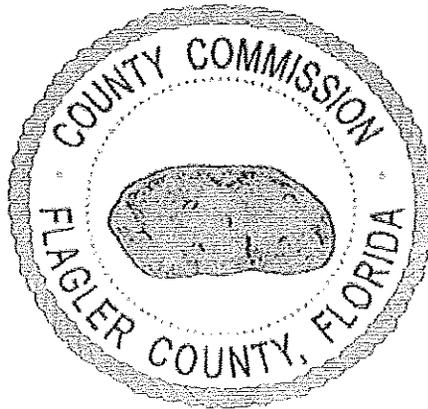
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Charges for services	\$ 140,000	\$ 140,000	\$ 124,735	\$ (15,265)
Miscellaneous revenue	-	-	1,115	1,115
TOTAL REVENUES	<u>140,000</u>	<u>140,000</u>	<u>125,850</u>	<u>(14,150)</u>
EXPENDITURES:				
Current:				
General government				
Operating expenses	48,500	107,000	146,620	(39,620)
Capital outlay	25,000	15,000	14,893	107
TOTAL EXPENDITURES	<u>73,500</u>	<u>122,000</u>	<u>161,513</u>	<u>(39,513)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>66,500</u>	<u>18,000</u>	<u>(35,663)</u>	<u>(53,663)</u>
NET CHANGE IN FUND BALANCE	66,500	18,000	(35,663)	(53,663)
FUND BALANCES, BEGINNING OF YEAR	<u>230,563</u>	<u>230,563</u>	<u>230,563</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 297,063</u>	<u>\$ 248,563</u>	<u>\$ 194,900</u>	<u>\$ (53,663)</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, 2007

ASSETS	<u>Agency Funds</u>
Cash and cash equivalents	\$ 1,658,843
Accounts receivable	520
Due from other funds	196
Due from Board of County Commissioners	352,731
 Total Assets	 <u>\$ 2,012,290</u>
 LIABILITIES:	
Accounts payable	\$ 9,705
Due to other funds	5,027
Due to Board of County Commissioners	28,617
Due to constitutional officers	688
Due to other governments	91,572
Deposits	1,876,681
 Total liabilities	 <u>\$ 2,012,290</u>

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, 2007

(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, 2007, 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, 2007

(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, 2007

(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.

(4) 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:

	Balance October 1, 2006	Additions	Deletions	Balance September 30, 2007
Governmental activities:				
Equipment	\$ 2,231,767	\$ 244,465	(\$509,003)	\$ 1,967,229
Less: accumulated depreciation	(1,373,298)	(421,415)	509,003	(1,285,710)
Total governmental activities capital assets, net	\$ 479,467	\$(176,950)	\$ -	\$ 681,519

For the year ended September 30, 2007, depreciation expense of \$421,415 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, 2007

(3) Changes in Long-Term Liabilities:

The Clerk estimates \$147,000 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, 2006	Additions	Deductions	Balance September 30, 2007
Compensated Absences	\$ 162,087	\$ 233,069	\$ 210,934	\$ 184,222

(4) 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, 2006 - June 30, 2007	July 1, 2007 - September 30, 2007
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, 2007

(4) Pension Plans: (Continued)

The contribution rate of current year covered payroll is 10.74 percent. For the years ended September 30, 2007, 2006, and 2005, total contributions were \$253,251, \$172,399, and \$137,996, 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, 2007, seventeen employees of the Clerk were participating in the Investment Plan and the remaining employees were participating in the Pension Plan.

(5) Deposits:

At fiscal year end, the carrying amount of the Clerk’s deposits and bank balances were \$3,860,786 and \$3,818,623, 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, 2007

(6) 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, 2007, interfund balances consisted of:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 141,708	\$ 45,904
Special revenue funds:		
Records Modernization	6,078	3
Court General	26,512	141,901
Court Technology	18,341	-
Agency funds:		
Child Support	196	5,027
Totals	\$ 192,835	\$ 192,835

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

At September 30, 2007, the amounts due from/to entities of Flagler County consist of the following:

<u>General Fund</u>	
Board of County Commissioners	\$ 121,830
<u>Agency Funds</u>	
Board of County Commissioners	352,731
Due from entities of Flagler County	\$ 474,561
<u>General Fund</u>	
Board of County Commissioners	\$ 28,922
<u>Court General Fund</u>	
Board of County Commissioners	190,007
<u>Court Technology Fund</u>	
Board of County Commissioners	434,188
<u>Agency Funds</u>	
Sheriff	688
Board of County Commissioners	28,617
Due to entities of Flagler County	\$ 682,422

There were no reversion of excess revenues from the General Fund to the Board of County Commissioners.

CLERK OF THE CIRCUIT COURT
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

(8) Risk Management:

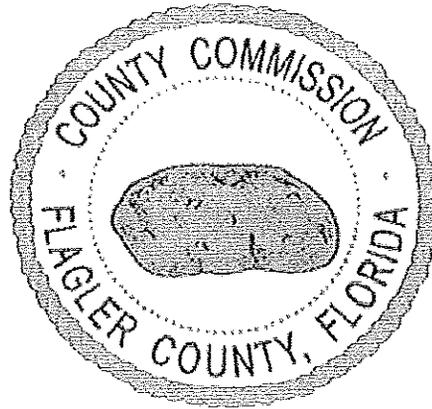
The Clerk participates in the Flagler County risk management program. The Board of County Commissioners maintains a Group Medical Benefit Internal Service Fund for life and health insurance. During the current year, the Clerk remitted \$859,173 to the Board for insurance coverage. Information regarding 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, 2007.

(9) Commitments and Contingencies:

A termination of benefits contract is in existence at September 30, 2007 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, 2007 no liability has been recorded.

(10) Excess Expenditures over Appropriations:

The Court Technology fund had expenditures over appropriations mainly due to an oversight of an accounts payable transaction ascertained during the audit review process.



Partners:

John R. Hopkins
James A. Wright, Jr.
James S. LaHam
Ross A. Whitley
W. Ed Moss
Philip J. Hayes
Brian L. Nemeroff

**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



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, 2007, which collectively comprise the Flagler County Clerk of the Circuit Court's special-purpose financial statements and have issued our report thereon dated June 30, 2008. 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

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.

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.

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.

BREVARD OFFICE
8035 Spyglass Hill Road
Melbourne, FL 32940
phone: 321.757.2020
fax: 321.242.4844

ORLANDO OFFICE
480 N. Orlando Ave.
Suite 218
Winter Park, FL 32789
phone: 407.644.5811
fax: 407.644.6022

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.

We noted a matter that we reported to management of Flagler County, Florida in a separate letter dated June 30, 2008.

Flagler County Clerk of the Circuit Court'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 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.

June 30, 2008
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Partners:

John R. Hopkins
James A. Wright, Jr.
James S. LaHam
Ross A. Whitley
W. Ed Moss
Philip J. Hayes
Brian L. Nemeroff

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, 2007, and have issued our report thereon dated June 30, 2008.



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 June 30, 2008, 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 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. 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 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.

BREVARD OFFICE

8035 Spyglass Hill Road
Melbourne, FL 32940

phone: 321.757.2020
fax: 321.242.4644

ORLANDO OFFICE

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

phone: 407.644.5811
fax: 407.644.6022

- 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 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, with the exception of the item described at 07-01.

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.

June 30, 2008
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

**Flagler County Clerk of the Circuit Court
Management Recommendations from Current Year
September 30, 2007**

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.



GAIL WADSWORTH, Clerk of the Circuit Court

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

June 25, 2008

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, 2007.

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.

The management letter recommendation, 07-01 Interest Revenue Allocation, regarding State Courts interest revenue allocation and its inclusion in the calculation of excess income to the State has been implemented.

Sincerely,

Gail Wadsworth
Clerk of Courts



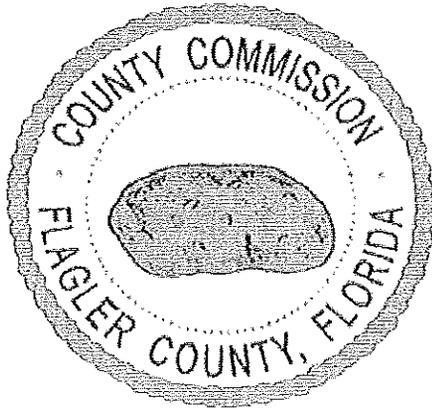
SHERIFF

SHERIFF
FLAGLER COUNTY, FLORIDA
SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007



SHERIFF
FLAGLER COUNTY, FLORIDA
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SEPTEMBER 30, 2007

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BERMAN & HOPKINS
WRIGHT & LAHAM
CPAS AND ASSOCIATES, LLP

Partners:

John R. Hopkins
James A. Wright, Jr.
James S. LaHam
Ross A. Whitley
W. Ed Moss
Philip J. Hayes
Brian L. Nerneroff

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, 2007, 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.



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 financials statement presentation. We believe that our audit provides a reasonable basis for our opinion.

BREVARD OFFICE

8035 Spyglass Hill Road
Melbourne, FL 32940

phone: 321.757.2020
fax: 321.242.4844

ORLANDO OFFICE

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

phone: 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 Sheriff at September 30, 2007, 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, 2007, 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 and the aggregate remaining fund information of the Sheriff as of September 30, 2007, 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 5, 2008, 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 5, 2008
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

SHERIFF
 FLAGLER COUNTY, FLORIDA
 BALANCE SHEET - GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2007

ASSETS	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 773,197	\$ 25,796	\$ 798,993
Accounts receivable	19,862	-	19,862
Due from constitutional officers	-	688	688
Due from other governments	56,159	-	56,159
Interest receivable	-	-	-
TOTAL ASSETS	\$ 849,218	\$ 26,484	\$ 875,702
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 137,297	\$ -	\$ 137,297
Accrued liabilities	423,651	-	423,651
Due to other governments	35,381	-	35,381
Due to Board of County Commissioners	229,867	-	229,867
Deferred revenue	23,022	-	23,022
TOTAL LIABILITIES	849,218	-	849,218
FUND BALANCES:			
Unreserved-undesignated:			
Special revenue funds	-	26,484	26,484
TOTAL FUND BALANCES	-	26,484	26,484
 TOTAL LIABILITIES AND FUND BALANCES	\$ 849,218	\$ 26,484	\$ 875,702

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, 2007

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Charges for services	\$ 2,730,517	\$ 12,306	\$ 2,742,823
Intergovernmental	368,973	-	368,973
Miscellaneous revenue	144,938	85,495	230,433
Interest	81,968	68	82,036
TOTAL REVENUES	3,326,396	97,869	3,424,265
EXPENDITURES:			
Current:			
Court related			
Personal services	666,211	-	666,211
Operating expenses	26,837	-	26,837
Public safety			
Personal services	15,568,419	-	15,568,419
Operating expenses	3,543,018	86,309	3,629,327
Capital outlay	1,933,038	-	1,933,038
Debt service			
Principal	654,656	-	654,656
Interest and fiscal charges	292,767	-	292,767
TOTAL EXPENDITURES	22,684,946	86,309	22,771,255
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(19,358,550)	11,560	(19,346,990)
OTHER FINANCING SOURCES (USES):			
Transfers in- Board of County Commissioners	18,778,217	-	18,778,217
Sale of capital assets	25,874	-	25,874
Long term debt issued - capital leases	782,538	-	782,538
Reversion to Board of County Commissioners	(228,079)	-	(228,079)
TOTAL OTHER FINANCING SOURCES	19,358,550	-	19,358,550
NET CHANGE IN FUND BALANCE	-	11,560	11,560
FUND BALANCES, BEGINNING OF YEAR	-	14,924	14,924
FUND BALANCES, END OF YEAR	\$ -	\$ 26,484	\$ 26,484

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, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
REVENUES:				
Intergovernmental	\$ -	\$ 368,978	\$ 368,973	\$ (5)
Charges for services	2,394,360	2,747,501	2,730,517	(16,984)
Miscellaneous revenue	-	144,941	144,938	(3)
Interest	-	81,969	81,968	(1)
TOTAL REVENUES	<u>2,394,360</u>	<u>3,343,389</u>	<u>3,326,396</u>	<u>(16,993)</u>
EXPENDITURES:				
Current:				
Court related				
Personal services	654,893	666,253	666,211	42
Operating expenses	38,200	26,840	26,837	3
Public safety				
Personal services	16,226,281	15,691,732	15,568,419	123,313
Operating expenses	3,159,928	3,643,962	3,543,018	100,944
Capital outlay	195,525	2,496,406	1,933,038	563,368
Debt service				
Principal	845,365	654,659	654,656	3
Interest and fiscal charges	-	292,767	292,767	-
TOTAL EXPENDITURES	<u>21,120,192</u>	<u>23,472,619</u>	<u>22,684,946</u>	<u>787,673</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(18,725,832)</u>	<u>(20,129,230)</u>	<u>(19,358,550)</u>	<u>(770,680)</u>
OTHER FINANCING SOURCES (USES):				
Transfer In - Board of County Commissioners	18,725,832	18,778,218	18,778,217	(1)
Sale of capital assets	-	25,874	25,874	-
Long term debt issued - capital leases	-	1,325,138	782,538	(542,600)
Reversion to Board of County Commissioners	-	-	(228,079)	(228,079)
TOTAL OTHER FINANCING SOURCES	<u>18,725,832</u>	<u>20,129,230</u>	<u>19,358,550</u>	<u>(770,680)</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, 2007

ASSETS	Agency Funds
Cash and cash equivalents	\$ 24,914
LIABILITIES:	
Deposits	\$ 24,914

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

SHERIFF
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

(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 officials' 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, 2007, the Sheriff reported the General Fund as a major fund.

Governmental Funds

Government 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, 2007

(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 used 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, 2007

(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) **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 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, 2006	Additions	Deductions	Balance September 30, 2007
Vehicles and equipment	\$ 6,879,148	\$ 1,974,035	\$ (614,143)	\$ 8,239,040
Accumulated depreciation	(4,832,496)	(842,069)	593,086	(5,081,479)
Capital assets, Net	<u>\$ 2,046,652</u>	<u>\$ 1,131,966</u>	<u>\$ (21,057)</u>	<u>\$ 3,157,561</u>

SHERIFF
 FLAGLER COUNTY, FLORIDA
 NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

(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	\$ 10,324
Law enforcement	820,313
Jail (corrections)	<u>11,432</u>
Total depreciation expense	<u>\$ 842,069</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, 2006	Additions	Deductions	Balance September 30, 2007	Due within one year
Compensated absences	\$ 461,000	\$ 946,589	\$ (834,876)	\$ 572,713	\$ 572,713
Capital lease obligations	<u>775,439</u>	<u>782,538</u>	<u>(654,656)</u>	<u>903,321</u>	<u>392,660</u>
	<u>\$ 1,236,439</u>	<u>\$ 1,729,127</u>	<u>\$ (1,489,532)</u>	<u>\$ 1,476,034</u>	<u>\$ 965,373</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, 2007:

	Balance
	<u>September 30, 2007</u>
Vehicles and equipment	\$ 2,337,218
Less: accumulated depreciation	<u>(686,683)</u>
Capital assets net	<u>\$ 1,650,535</u>

SHERIFF
 FLAGLER COUNTY, FLORIDA
 NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

(4) **Long-Term Liabilities:** (continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2007 were as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Amount</u>
2008	\$ 840,955
2009	<u>271,877</u>
	1,112,832
Less amount representing interest	<u>209,511</u>
Present value of net minimum lease payments	<u>\$ 903,321</u>

(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, 2007, was \$140,790. The future minimum lease payments for the remaining terms are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2008	\$ 92,522
2009	22,302
2010	14,022
2011	11,565
2012	<u>6,203</u>
	<u>\$ 146,614</u>

(6) **Pension Plans:**

Defined Benefit Pension Plan – The employees of the Sheriff's office participate 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, 2007

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
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 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, 2006 – September 30, 2007
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 17.95 percent. For the years ended September 30, 2007, 2006, and 2005, total contributions were \$1,804,614, \$1,334,501 and \$1,159,306, respectively. The Sheriff made actual contributions equal to the actuarially determined 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, 2007

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, 2007, 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 \$823,907 and the bank balances were \$1,309,952. 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.

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

At September 30, 2007, the amounts due from/to entities of Flagler County consist of the following:

Board of County Commissioners	\$ 24,325
Clerk of the Circuit Court	<u>688</u>
Due from entities of Flagler County	<u>\$ 25,013</u>
Due to Board of County Commissioners	<u>\$ 272,837</u>

The amount due to the Board of County Commissioners includes the reversion of \$228,079 of excess revenues and other financing sources over expenditures.

SHERIFF
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

(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 \$2,592,368 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, 2007.

(10) Post-employment Benefits Other Than Pension Benefits:

The following information on post-employment benefits is as required by GASB Statement No. 12:

- **Benefits Provided:**
Health insurance for former employees or families of employees killed or injured in line of duty
- Funding is on a pay-as-you-go basis
- Cost for 2006-2007 was \$39,000.
- There were two former employees or families of employees receiving health insurance benefits

(11) Contingencies:

The Sheriff is involved in various litigation matters arising in the normal operations of local law enforcement. With respect to pending and threatened litigation, the Sheriff has reported, in the general fund, liabilities of \$156,000 for awarded and anticipated judgments.



Partners:

John R. Hopkins
James A. Wright, Jr.
James S. LaHam
Ross A. Whitley
W. Ed Moss
Phillip J. Hayes
Brian L. Nemeroff

**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



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, 2007, and have issued our report thereon dated February 5, 2008. 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

BREVARD OFFICE
8035 Spyglass Hill Road
Melbourne, FL 32940
phone: 321.757.2020
fax: 321.242.4844

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.

ORLANDO OFFICE
480 N. Orlando Ave.
Suite 218
Winter Park, FL 32789
phone: 407.644.5811
fax: 407.644.6022

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.

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 5, 2008
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Partners:

John R. Hopkins
James A. Wright, Jr.
James S. LaHam
Ross A. Whitley
W. Ed Moss
Phillip J. Hayes
Brian L. Nemeroff

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

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

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, 2007. 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, 2007.

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 5, 2008
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

BREVARD OFFICE

8035 Spyglass Hill Road
Melbourne, FL 32940

phone: 321.757.2020
fax: 321.242.4844

ORLANDO OFFICE

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

phone: 407.644.5811
fax: 407.644.6022



Partners:

John R. Hopkins
James A. Wright, Jr.
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Brian L. Nemeroff

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, 2007, and have issued our report thereon dated February 5, 2008.

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 5, 2008, 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. Corrective actions have been taken to address all 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.



BREVARD OFFICE

8035 Spyglass Hill Road
Melbourne, FL 32940

phone: 321.757.2020
fax: 321.242.4844

ORLANDO OFFICE

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

phone: 407.644.5811
fax: 407.644.6022

- 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 1(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 5, 2008
Melbourne, Florida

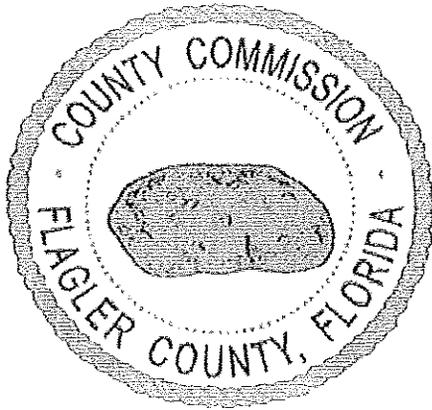
Berman Hopkins Wright & Latham
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TAX
COLLECTOR

TAX COLLECTOR
FLAGLER COUNTY, FLORIDA
SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

TAX COLLECTOR
FLAGLER COUNTY, FLORIDA
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BERMAN HOPKINS
WRIGHT & LAHAM
CPAS AND ASSOCIATES, LLP

Partners:

John R. Hopkins
James A. Wright, Jr.
James S. LaHam
Ross A. Whitley
W. Ed Moss
Philip J. Hayes
Brian L. Nemeroff

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, 2007, 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.



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 financials statement presentation. We believe that our audit provides a reasonable basis for our opinion.

BREVARD OFFICE

8035 Spyglass Hill Road
Melbourne, FL 32940

phone: 321.757.2020
fax: 321.242.4844

ORLANDO OFFICE

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

phone: 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, 2007, 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, 2007, 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 and the aggregate remaining fund information of the Tax Collector as of September 30, 2007, 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 4, 2008, 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 4, 2008
Melbourne, Florida

Berman Hopkins Wright & Latham
CPAs and Associates, LLP

TAX COLLECTOR
 FLAGLER COUNTY, FLORIDA
 BALANCE SHEET - GOVERNMENTAL FUND
 SEPTEMBER 30, 2007

ASSETS	<u>General Fund</u>
Cash and cash equivalents	\$ 1,748,785
Due from Board of County Commissioners	4,058
Accounts Receivable	89
 TOTAL ASSETS	 <u>\$ 1,752,932</u>
 LIABILITIES AND FUND BALANCE	
LIABILITIES:	
Accrued liabilities	17,371
Due to Board of County Commissioners	1,625,856
Due to other governments	109,705
 TOTAL LIABILITIES	 <u>1,752,932</u>
 FUND BALANCE:	
Unreserved - undesignated	<u>-</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 1,752,932</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, 2007

	<u>General Fund</u>
REVENUES:	
Charges for services	\$ 3,618,473
Miscellaneous revenue	11,674
	<hr/>
TOTAL REVENUES	<u>3,630,147</u>
EXPENDITURES:	
Current:	
General government	
Personal services	1,542,775
Operating expenses	389,794
Capital Outlay	71,275
	<hr/>
TOTAL EXPENDITURES	<u>2,003,844</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,626,303</u>
OTHER FINANCING USES:	
Reversion to Board of County Commissioners	<u>(1,626,303)</u>
NET CHANGE IN FUND BALANCE	-
FUND BALANCE, BEGINNING OF YEAR	<hr/> -
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, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
REVENUES:				
Charges for services	\$ 3,304,333	\$ 3,304,333	\$ 3,618,473	\$ 314,140
Miscellaneous revenue	-	-	11,674	11,674
TOTAL REVENUES	<u>3,304,333</u>	<u>3,304,333</u>	<u>3,630,147</u>	<u>325,814</u>
EXPENDITURES:				
Current:				
General government				
Personal services	1,434,378	1,583,523	1,542,775	40,748
Operating expenses	321,999	361,999	389,794	(27,795)
Capital Outlay	71,421	71,421	71,275	146
TOTAL EXPENDITURES	<u>1,827,798</u>	<u>2,016,943</u>	<u>2,003,844</u>	<u>13,099</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,476,535</u>	<u>1,287,390</u>	<u>1,626,303</u>	<u>338,913</u>
OTHER FINANCING USES:				
Reversion to Board of County Commissioners	(1,476,535)	(1,287,390)	(1,626,303)	(338,913)
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, 2007

ASSETS	Agency Funds
Cash and cash equivalents	\$ 1,980,897
Accounts receivable	30,789
 Total Assets	 <u>\$ 2,011,686</u>
 LIABILITIES:	
Accrued liabilities	\$ 349,227
Due to Board of County Commissioners	210,421
Due to other governments	44,720
Installment taxes	1,407,318
 Total Liabilities	 <u>\$ 2,011,686</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, 2007

(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 and 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 results of operations 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, 2007, 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, 2007

(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:

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, 2007

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

(f) **Property Tax Collections**

Chapter 197, Florida Statutes, governs property 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 Deeds**

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 amendment of 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 follows:

	Balance			Balance	
	October 1,	Additions	Deductions	September 30,	Due within
	<u>2006</u>			<u>2007</u>	<u>one year</u>
Compensated Absences	\$ 34,420	\$ 29,336	\$ 22,146	\$ 41,610	\$ 41,610

Historically compensated absences have been liquidated by the general fund.

TAX COLLECTOR
 FLAGLER COUNTY, FLORIDA
 NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

(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, 2006	Additions	Deductions	Balance September 30, 2007
Governmental Activities				
Equipment	\$ 286,059	\$ 33,195	\$ (14,520)	\$ 304,734
Less accumulated depreciation	(161,807)	(62,668)	14,520	(209,955)
Total governmental activities capital assets, net	<u>\$ 124,252</u>	<u>\$ (29,473)</u>	<u>\$ -</u>	<u>\$ 94,779</u>

For the year ended September 30, 2007, depreciation expense of \$62,668 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
 PO Box 9000
 Tallahassee, Florida 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, 2007

(5) **Pension Plans:** (continued)

The contribution rates are as follows:

	<u>October 1, 2006 – June 30, 2007</u>	<u>July 1, 2007 – September 30, 2007</u>
Regular employees	9.85%	9.85%
Elected county officials	16.53%	16.53%
Deferred retirement option program employees	10.91%	10.91%

The contribution rate of current year-covered payroll is 11.4 percent. For the years ended September 30, 2007, 2006, and 2005, total contributions were \$112,357, \$69,594, and \$49,395, 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, 2007, 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 \$3,729,682 and the bank balances were \$4,568,473. 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, 2007

(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, 2007, the amounts due to entities of Flagler County consist of the following:

Board of County Commissioners \$ 1,832,219

The amount due to the Board of County Commissioners includes the reversion of \$1,626,303 of excess revenues over expenditures and other financing uses and is reported net of other amounts due from the board at September 30, 2007.

(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, 2007, was \$29,405. The future minimum lease payments for the remaining terms are as follows:

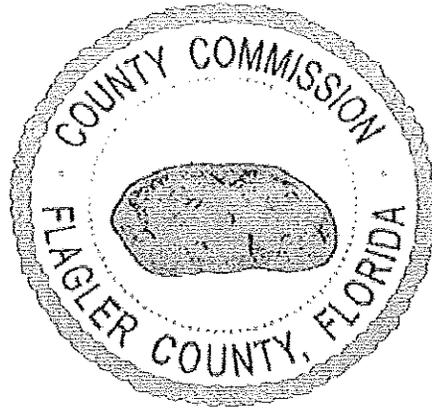
<u>Year ending September 30,</u>	<u>Amount</u>
2008	\$ 28,422
2009	<u>19,384</u>
	<u>\$ 47,806</u>

TAX COLLECTOR
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

(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 \$327,557 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, 2007.



BERMAN HOPKINS
WRIGHT & LAHAM
CPAS AND ASSOCIATES, LLP

Partners:

John R. Hopkins
James A. Wright, Jr.
James S. LaHam
Ross A. Whitley
W. Ed Moss
Philip J. Hayes
Brian L. Nemeroff

**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



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, 2007, and have issued our report thereon dated February 4, 2008. 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

BREVARD OFFICE

8035 Spyglass Hill Road
Melbourne, FL 32940

phone: 321.757.2020
fax: 321.242.4844

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.

ORLANDO OFFICE

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

phone: 407.644.5811
fax: 407.644.6022

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.

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.

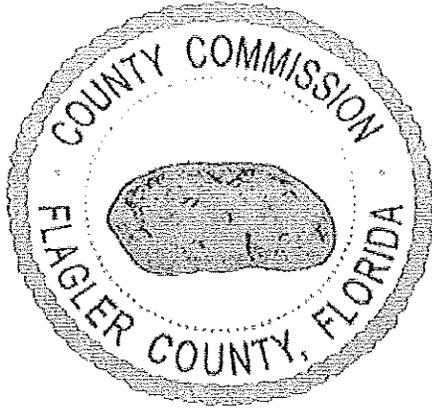
Compliance and Other Matters

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 4, 2008
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP



Partners:

John R. Hopkins
James A. Wright, Jr.
James S. LaHam
Ross A. Whitley
W. Ed Moss
Philip J. Hayes
Brian L. Nemeroff

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, 2007, and have issued our report thereon dated February 4, 2008.

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 4, 2008, 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 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, accounting procedures, and internal controls. In connection with our audit, we did not have any such recommendations.



BREVARD OFFICE

8035 Spyglass Hill Road
Melbourne, FL 32940

phone: 321.757.2020
fax: 321.242.4844

ORLANDO OFFICE

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

phone: 407.644.5811
fax: 407.644.6022

- 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 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.

This management letter is intended solely for the information and use 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 4, 2008
Melbourne, Florida

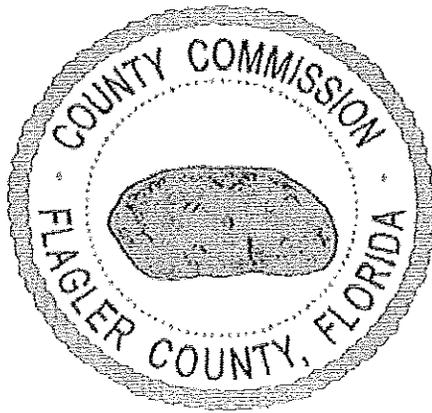
Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

PROPERTY
APPRAISER

PROPERTY APPRAISER
FLAGLER COUNTY, FLORIDA
SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

PROPERTY APPRAISER
FLAGLER COUNTY, FLORIDA
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SEPTEMBER 30, 2007

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Partners:

John R. Hopkins
James A. Wright, Jr.
James S. LaHam
Ross A. Whitley
W. Ed Moss
Philip J. Hayes
Brian L. Nemeroff

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, 2007, 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.



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 financials statement presentation. We believe that our audit provides a reasonable basis for our opinion.

BREVARD OFFICE

8035 Spyglass Hill Road
Melbourne, FL 32940

phone: 321.757.2020
fax: 321.242.4844

ORLANDO OFFICE

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

phone: 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 Property Appraiser at September 30, 2007, 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, 2007, 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, 2007, 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 4, 2008, 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 4, 2008
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

PROPERTY APPRAISER
 FLAGLER COUNTY, FLORIDA
 BALANCE SHEET - GOVERNMENTAL FUND
 SEPTEMBER 30, 2007

ASSETS	<u>General Fund</u>
Cash and cash equivalents	\$ 196,379
Due from other governments	1,396
	<hr/>
TOTAL ASSETS	<u>\$ 197,775</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES:	
Accounts payable and accrued liabilities	\$ 14,038
Due to Board of County Commissioners	175,887
Due to other governments	7,850
	<hr/>
TOTAL LIABILITIES	<u>197,775</u>
FUND BALANCE:	
Unreserved-undesignated	<hr/> -
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 197,775</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, 2007

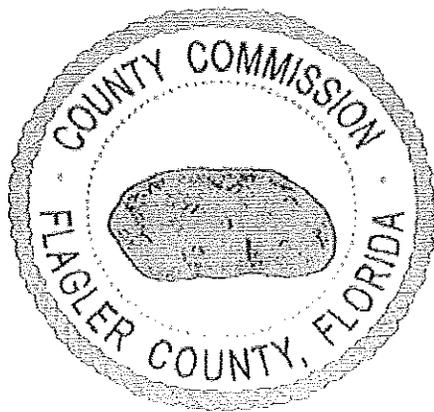
	General Fund
REVENUES:	
Charges for services	\$ 111,358
Miscellaneous revenue	31,911
	143,269
TOTAL REVENUES	143,269
EXPENDITURES:	
Current:	
General government	
Personal services	1,915,429
Operating expenses	271,728
Capital outlay	71,370
	2,258,527
TOTAL EXPENDITURES	2,258,527
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(2,115,258)
OTHER FINANCING SOURCES (USES):	
Transfers in - Board of County Commissioners	2,316,092
Reversion to Board of County Commissioners	(200,834)
	2,115,258
TOTAL OTHER FINANCING SOURCES	2,115,258
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, 2007

	Original Budget	Final Budget	Actual	Variance to Final Budget- Positive (Negative)
REVENUES:				
Charges for services	\$ 96,673	\$ 103,286	\$ 111,358	\$ 8,072
Miscellaneous revenue	-	-	31,911	31,911
TOTAL REVENUES	<u>96,673</u>	<u>103,286</u>	<u>143,269</u>	<u>39,983</u>
EXPENDITURES:				
Current:				
General government				
Personal services	2,175,348	2,111,961	1,915,429	196,532
Operating expenses	212,417	235,417	271,728	(36,311)
Capital outlay	25,000	72,000	71,370	630
TOTAL EXPENDITURES	<u>2,412,765</u>	<u>2,419,378</u>	<u>2,258,527</u>	<u>160,851</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(2,316,092)</u>	<u>(2,316,092)</u>	<u>(2,115,258)</u>	<u>200,834</u>
OTHER FINANCING SOURCES (USES):				
Transfers in - Board of County Commissioners	2,316,092	2,316,092	2,316,092	-
Reversion to Board of County Commissioners	-	-	(200,834)	(200,834)
TOTAL OTHER FINANCING SOURCES	<u>2,316,092</u>	<u>2,316,092</u>	<u>2,115,258</u>	<u>(200,834)</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.



PROPERTY APPRAISER
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

(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 a part of the primary government of Flagler County, Florida. The Property Appraiser'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 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, 2007, 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, 2007

(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, 2007

(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:

	<u>Balance October 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2007</u>	<u>Due within one year</u>
Compensated Absences	\$ 52,093	\$ 57,163	\$ 54,749	\$ 54,507	\$ 47,670

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:

	<u>Balance October 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2007</u>
Governmental Activities:				
Equipment	\$ 446,300	\$ 71,370	\$ (32,581)	\$ 485,089
Less accumulated depreciation	(358,697)	(62,804)	32,581	(388,920)
Total governmental activities capital assets, net	<u>\$ 87,603</u>	<u>\$ 8,566</u>	<u>\$ -</u>	<u>\$ 96,169</u>

For the year ended September 30, 2007, depreciation expense of \$62,804 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
 PO Box 9000
 Tallahassee, Florida 32315-9000

PROPERTY APPRAISER
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

(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, 2006 – September 30, 2007</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, 2007, 2006, and 2005, total contributions were \$135,653, \$100,296 and \$77,353, 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 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, 2007, 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, 2007

(6) Deposits:

At year-end, the carrying amount of the Property Appraiser's deposits was \$196,379 and the bank balances were \$370,509. 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 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 From/To Entities of Flagler County:

At September 30, 2007, the amounts due from/to entities of Flagler County consist of the following:

Board of County Commissioners	\$ <u>175,887</u>
-------------------------------	-------------------

The amount due to the Board of County Commissioners includes the reversion of \$200,834 of excess revenues and other financing sources over expenditures and is reported net of other amounts due from the Board at September 30, 2007.

(8) Operating Leases:

The Property Appraiser has three vehicle operating leases. The leases expire at varying dates from May 31, 2007 to August 23, 2009. Monthly payments range from \$316 to \$364. Lease expense for the year ended September 20, 2007, was \$15,959. The future minimum lease payments for the next three years are as follows:

Year Ending September 30,	Amount
2008	\$ 10,474
2009	<u>3,479</u>
	<u>\$ 13,953</u>

PROPERTY APPRAISER
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

(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 \$391,087 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, 2007.

Partners:

John R. Hopkins
James A. Wright, Jr.
James S. LaHam
Ross A. Whitley
W. Ed Moss
Philip J. Hayes
Brian L. Nemeroff

**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, 2007, and have issued our report thereon dated February 4, 2008. 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

BREVARD OFFICE

8035 Spyglass Hill Road
Melbourne, FL 32940

phone: 321.757.2020
fax: 321.242.4844

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.

ORLANDO OFFICE

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

phone: 407.644.5811
fax: 407.644.6022

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.

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 4, 2008
Melbourne, Florida

Berman Hopkins Wright & Latham
CPAs and Associates, LLP

Partners:

John R. Hopkins
James A. Wright, Jr.
James S. LaHam
Ross A. Whitley
W. Ed Moss
Philip J. Hayes
Brian L. Nemeroff

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, 2007, and have issued our report thereon dated February 4, 2008.



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 4, 2008, 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. Corrective actions have been taken to address all 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.

BREVARD OFFICE

8035 Spyglass Hill Road
Melbourne, FL 32940

phone: 321.757.2020
fax: 321.242.4844

ORLANDO OFFICE

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

phone: 407.644.5811
fax: 407.644.6022

- 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 1(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 4, 2008
Melbourne, Florida

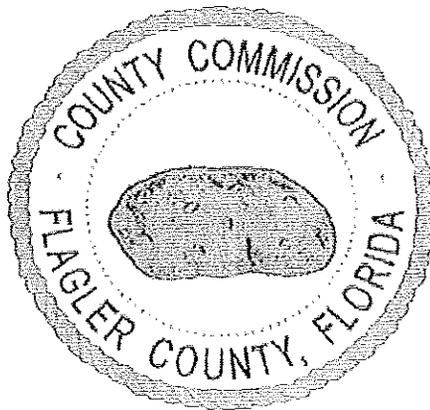
Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

SUPERVISOR
OF
ELECTIONS

SUPERVISOR OF ELECTIONS
FLAGLER COUNTY, FLORIDA
SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

SUPERVISOR OF ELECTIONS
FLAGLER COUNTY, FLORIDA
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SEPTEMBER 30, 2007

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Partners:

John R. Hopkins
James A. Wright, Jr.
James S. LaHam
Ross A. Whitley
W. Ed Moss
Philip J. Hayes
Brian L. Nemeroff

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, 2007, 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 financials statement presentation. We believe that our audit provides a reasonable basis for our opinion.

BREVARD OFFICE

8035 Spyglass Hill Road
Melbourne, FL 32940

phone: 321.757.2020
fax: 321.242.4844

ORLANDO OFFICE

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

phone: 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 Supervisor of Elections at September 30, 2007, 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, 2007, 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, 2007, 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 4, 2008, 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.

February 4, 2008
Melbourne, Florida

Berman Hopkins Wright & Latham
CPAs and Associates, LLP

SUPERVISOR OF ELECTIONS
 FLAGLER COUNTY, FLORIDA
 BALANCE SHEET - GOVERNMENTAL FUND
 SEPTEMBER 30, 2007

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 24,172</u>
 LIABILITIES AND FUND BALANCE	
LIABILITIES:	
Accounts payable	\$ 214
Accrued liabilities	753
Due to Board of County Commissioners	2,713
Deferred Revenue	20,492
	<hr/>
TOTAL LIABILITIES	<u>24,172</u>
 FUND BALANCE:	
Unreserved-undesignated	<hr/> -
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 24,172</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, 2007

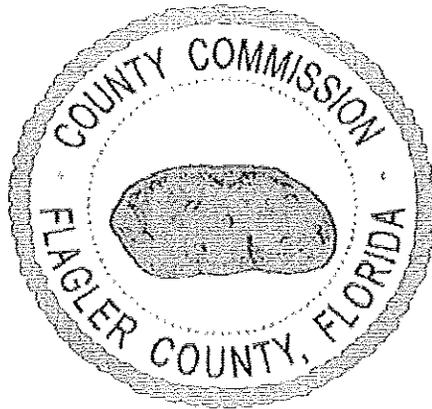
	General Fund
REVENUES:	
Intergovernmental	\$ 5,377
Charges for services	16,447
Miscellaneous revenue	748
TOTAL REVENUES	22,572
EXPENDITURES:	
Current:	
General government	
Personal services	440,441
Operating expenses	119,001
Capital Outlay	13,541
TOTAL EXPENDITURES	572,983
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(550,411)
OTHER FINANCING SOURCES (USES):	
Transfers in- Board of County Commissioners	553,373
Reversion to Board of County Commissioners	(2,962)
TOTAL OTHER FINANCING SOURCES	550,411
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
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE- BUDGET and ACTUAL- GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
REVENUES:				
Intergovernmental	\$ 13,708	\$ 13,708	\$ 5,377	\$ (8,331)
Charges for services	15,500	15,500	16,447	947
Miscellaneous revenue	-	-	748	748
TOTAL REVENUES	<u>29,208</u>	<u>29,208</u>	<u>22,572</u>	<u>(6,636)</u>
EXPENDITURES:				
Current:				
General government				
Personal services	448,002	430,902	440,441	(9,539)
Operating expenses	132,579	138,079	119,001	19,078
Capital Outlay	2,000	13,600	13,541	59
TOTAL EXPENDITURES	<u>582,581</u>	<u>582,581</u>	<u>572,983</u>	<u>9,598</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(553,373)</u>	<u>(553,373)</u>	<u>(550,411)</u>	<u>2,962</u>
OTHER FINANCING SOURCES (USES):				
Transfers in - Board of County Commissioners	553,373	553,373	553,373	-
Reversion to Board of County Commissioners	-	-	(2,962)	(2,962)
TOTAL OTHER FINANCING SOURCES	<u>553,373</u>	<u>553,373</u>	<u>550,411</u>	<u>(2,962)</u>
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.



SUPERVISOR OF ELECTIONS
FLAGLER COUNTY, FLORIDA
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

(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 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 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, 2007, 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
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(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.

SUPERVISOR OF ELECTIONS
 FLAGLER COUNTY, FLORIDA
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 SEPTEMBER 30, 2007

(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 follows:

	<u>Balance</u> <u>October 1,</u> <u>2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>September 30,</u> <u>2007</u>	<u>Due within</u> <u>one year</u>
Compensated Absences	\$ 6,804	\$ 13,762	\$ 13,170	\$ 7,396	\$ 7,396

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:

	<u>Balance</u> <u>October 1,</u> <u>2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>September 30,</u> <u>2007</u>
Governmental Activities				
Equipment	\$ 570,963	\$ 7,232	\$ (7,163)	\$ 571,032
Less accumulated depreciation	(458,342)	(61,469)	7,163	(512,648)
Total governmental activities capital assets, net	<u>\$ 112,621</u>	<u>\$ (54,237)</u>	<u>\$ -</u>	<u>\$ 58,384</u>

For the year ended September 30, 2007, depreciation expense of \$61,469 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
 PO Box 9000
 Tallahassee, Florida 32315-9000

SUPERVISOR OF ELECTIONS
 FLAGLER COUNTY, FLORIDA
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(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, 2006 - June 30, 2007</u>	<u>July 1, 2007- September 30, 2007</u>
Regular Employees	9.85%	9.85%
Elected County Officials	16.53%	16.53%

The contribution rate of current year covered payroll is 10.9 percent. For the years ended September 30, 2007, 2006, and 2005, total contributions were \$27,099, \$25,711, and \$24,125, 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 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, 2007, 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, 2007

(6) Deposits:

At year-end, the carrying amount of the Supervisor of Elections' deposits was \$24,172 and the bank balances were \$43,410. 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, 2007, the amounts due to entities of Flagler County consist of the following:

Board of County Commissioners	<u>\$ 2,713</u>
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The amount due to the Board of County Commissioners includes the reversion of \$2,962 excess revenues and other financing sources over expenditures and is reported net of other amounts due from the board at September 30, 2007.

(8) Operating Lease:

The Supervisor of Elections has a copier lease. The lease expires on May 28, 2012. The monthly payment is \$123. The future minimum lease payments for the next five years are as follows:

Year Ending September 30,	Amount
2008	\$ 1,476
2009	1,476
2010	1,476
2011	1,476
2012	<u>984</u>
	<u>\$ 6,888</u>

SUPERVISOR OF ELECTIONS
FLAGLER COUNTY, FLORIDA
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(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 special-purpose financial statements of the Flagler County Board of County Commissioners for the year ended September 30, 2007.

**BERMAN HOPKINS
WRIGHT & LAHAM**
CPAS AND ASSOCIATES, LLP

Partners:

John R. Hopkins
James A. Wright, Jr.
James S. LaHam
Ross A. Whitley
W. Ed Moss
Philip J. Hayes
Brian L. Nemeroff

**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, 2007, and have issued our report thereon dated February 4, 2008. 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

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.

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.

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.

BREVARD OFFICE

8035 Spyglass Hill Road
Melbourne, FL 32940

phone: 321.757.2020
fax: 321.242.4844

ORLANDO OFFICE

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

phone: 407.644.5811
fax: 407.644.6022

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.

February 4, 2008
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Partners:

John R. Hopkins
James A. Wright, Jr.
James S. LaHam
Ross A. Whitley
W. Ed Moss
Philip J. Hayes
Brian L. Nemeroff

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, 2007, and have issued our report thereon dated February 4, 2008.



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 4, 2008, 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.

BREVARD OFFICE

8035 Spyglass Hill Road
Melbourne, FL 32940

phone: 321.757.2020
fax: 321.242.4844

ORLANDO OFFICE

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

phone: 407.644.5811
fax: 407.644.6022

- 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. 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 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.

February 4, 2008
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

