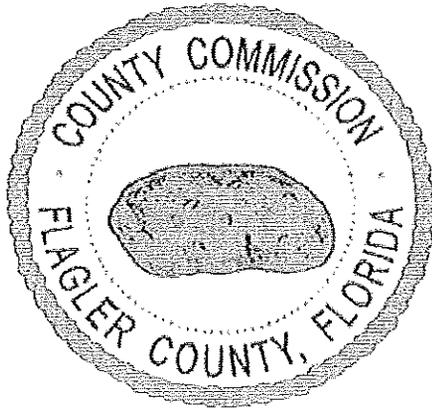


SHERIFF
FLAGLER COUNTY, FLORIDA
SPECIAL-PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007



SHERIFF
FLAGLER COUNTY, FLORIDA
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SEPTEMBER 30, 2007

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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.

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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	<u>\$ 849,218</u>	<u>\$ 26,484</u>	<u>\$ 875,702</u>
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	<u>849,218</u>	<u>-</u>	<u>849,218</u>
FUND BALANCES:			
Unreserved-undesignated:			
Special revenue funds	-	26,484	26,484
TOTAL FUND BALANCES	<u>-</u>	<u>26,484</u>	<u>26,484</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 849,218</u>	 <u>\$ 26,484</u>	 <u>\$ 875,702</u>

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:

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

(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:

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

(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:

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**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

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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.

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

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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.



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- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the special-purpose financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the special-purpose financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred and would have an immaterial effect on the special-purpose financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the special-purpose financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the special-purpose financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the special-purpose financial statements. The Sheriff was established by the Constitution of the State of Florida, Article VIII, Section 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
CPAs and Associates, LLP