



# FLAGLER COUNTY, FLORIDA ANNUAL FINANCIAL REPORT SEPTEMBER 30, 2010



# THE FLAGLER COUNTY EMERGENCY OPERATIONS CENTER



The Flagler County Emergency Operations Center, located on the 75-acre government campus in Bunnell, houses the administrative functions of Flagler County Emergency Management, Fire Rescue and the County 911 center.

Designed and built in 2005, the Flagler County Emergency Operations Center may look like the other government buildings, but there is more to this building than meets the eye.

The EOC is where decision makers, information coordinators, responders, and recovery managers congregate during disasters. Since many of the natural threats in Florida are wind related, such as hurricanes, tornados, and thunderstorms, the EOC is constructed to survive the storm.

The roof is engineered to withstand 180-mile per hour winds and the exterior walls can hold back 200-mile per hour winds. Glass is often one of the weakest parts of a structure and that is why the EOC has a limited number of windows in the facility. The large glass doors that welcome visitors to the arching lobby may appear vulnerable, but two sets of heavy wire mesh outer doors are closed during high winds and prevent flying debris from impacting the glass. Flooding is not considered a formidable threat to the EOC as it sits 27 feet above sea level and is located 8 miles from the Atlantic Ocean.

The EOC operates 24 hours a day during emergency activations and the workers require more than just a desk to perform their duties. During large disasters the EOC can house more than 100 people to staff an assortment of positions. This requires logistical support including sleeping quarters, shower and locker rooms, a full commercial grade kitchen. Redundant generators assure that the facility will operate during extended power outages.



The EOC is prepared to provide emergency information to Flagler County residents and visitors. The center contains a television and radio broadcast studio. Live information is provided over a local government access channel on Bright-house Cable channel 198 and local radio stations. The Flagler County TV can also be viewed on [www.FlaglerCounty.org](http://www.FlaglerCounty.org).

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On the cover: Flagler County's **FireFlight** helicopter. **FireFlight** is an American Eurocopter AS350B3 AStar helicopter purchased in January 2002 with Landfill Bond monies which were designated for countywide fire suppression. The aircraft has a top speed of 150 mph, a range of 430 miles, and a seating capacity of one pilot and five passengers. FireFlight serves multiple functions for Flagler County.

At left, the Emergency Operations Center.

**FLAGLER COUNTY, FLORIDA**  
**FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

## 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 (the "County") as of and for the year ended September 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County'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 the 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of September 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof and respective General and Constitutional Gas Tax 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 our report dated May 18, 2011, on our consideration of the County'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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

May 18, 2011  
Melbourne, Florida

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

## **Management's Discussion and Analysis**

The County's management discussion and analysis presents an overview and analysis of the County's financial activities for the fiscal year ended September 30, 2010. 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, 2010 (fiscal year end) by \$241,883,831 (net assets) for governmental activities, representing an increase of \$563,279.
- The amount reported as unrestricted net assets, \$15,322,370, decreased \$2,012,884 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, 2010. 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, 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-eight 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 and the Constitutional Gas Tax Fund, which are considered major funds. Information related to the additional fifty-six 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 fund 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, 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, water and waste water services and waste management fund, the County's only non-major proprietary fund. 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 18 - 21 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 22 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 23 - 51 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	
	2009	2010	2009	2010	2009	2010
Current and Other Assets	\$ 62,222	\$ 58,972	\$ 4,420	\$ 5,226	\$ 66,642	\$ 64,198
Capital Assets	<u>277,892</u>	<u>279,759</u>	<u>15,699</u>	<u>14,971</u>	<u>293,591</u>	<u>294,730</u>
Total Assets	<u>340,114</u>	<u>338,731</u>	<u>20,119</u>	<u>20,197</u>	<u>360,233</u>	<u>358,928</u>
Non-current Liabilities	83,457	81,921	3,983	3,745	87,440	85,666
Other Liabilities	<u>15,336</u>	<u>14,926</u>	<u>876</u>	<u>489</u>	<u>16,212</u>	<u>15,415</u>
Total Liabilities	98,793	96,847	4,859	4,234	103,652	101,081
Net Assets:						
Invested in Capital Assets, Net of related debt	194,513	196,915	12,344	11,789	206,857	208,704
Restricted	29,473	29,647	2,887	3,415	32,360	33,062
Unrestricted	<u>17,335</u>	<u>15,322</u>	<u>29</u>	<u>759</u>	<u>17,364</u>	<u>16,081</u>
Total Net Assets	<u>\$ 241,321</u>	<u>\$ 241,884</u>	<u>\$ 15,260</u>	<u>\$ 15,963</u>	<u>\$ 256,581</u>	<u>\$ 257,847</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 \$257,846,612 as of the fiscal year ended September 30, 2010.

The largest reported amount of the County's net assets (eighty-one percent) reflects its investment in capital assets (land, buildings, infrastructures and equipment), less the related outstanding debt used to acquire those assets. The County uses capital assets to provide services to citizens; therefore, these assets are not available for future spending. The county's investment in capital assets is reported net of related debt, and should be noted that resources required to repay this debt must be provided from other sources, since the capital assets cannot be used to reduce these liabilities

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

At September 30, 2010 the County is able to report positive fund balances in all three categories of net assets for governmental activities and positive fund balances for all three categories of net assets for business-type activities.

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2009	2010	2009	2010	2009	2010
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 12,816	\$ 11,241	\$ 3,508	\$ 2,992	\$ 16,324	\$ 16,324
Operating Grants and Contributions	3,671	5,354	212	77	3,883	3,883
Capital Grants and Contributions	5,376	4,733	2,343	155	7,719	7,719
General Revenues:						
Property Taxes	49,188	47,562	-	-	49,188	49,188
Other Taxes	6,390	6,419	139	140	6,529	6,529
Settlement Revenue	-	-	-	912	-	-
Miscellaneous	3,466	2,719	83	37	3,549	3,549
<b>Total Revenues</b>	<u>80,907</u>	<u>78,028</u>	<u>6,285</u>	<u>4,313</u>	<u>87,192</u>	<u>87,192</u>
<b>Expenses:</b>						
General Government	22,369	21,810	-	-	22,369	21,810
Public Safety	33,835	35,250	-	-	33,835	35,250
Physical environment	1,892	649	-	-	1,892	649
Transportation	6,667	7,657	-	-	6,667	7,657
Economic environment	1,703	1,151	-	-	1,703	1,151
Human Services	3,588	3,541	-	-	3,588	3,541
Culture and recreation	3,411	3,519	-	-	3,411	3,519
Interest/charges on long-term debt	4,221	3,478	-	-	4,221	3,478
Sanitary landfill	-	-	325	164	325	164
Airport	-	-	2,214	2,073	2,214	2,073
Utilities	-	-	498	389	498	389
Waste Management	-	-	1,392	1,394	1,392	1,394
<b>Total Expenses</b>	<u>77,686</u>	<u>77,055</u>	<u>4,429</u>	<u>4,020</u>	<u>82,115</u>	<u>81,075</u>
<b>Transfers</b>	<u>1,008</u>	<u>(410)</u>	<u>(1,008)</u>	<u>410</u>	<u>-</u>	<u>-</u>
Increase in Net Assets	4,229	563	848	703	5,077	1,266
Net Assets, beginning	<u>237,092</u>	<u>241,321</u>	<u>14,412</u>	<u>15,260</u>	<u>251,504</u>	<u>256,581</u>
Net Assets, ending	<u>\$ 241,321</u>	<u>\$ 241,884</u>	<u>\$ 15,260</u>	<u>\$ 15,963</u>	<u>\$ 256,581</u>	<u>\$ 257,847</u>

### **Governmental activities**

Governmental activities increased the County's net assets by \$563,279. Taxes and fees have been established to fund current operating needs in addition to other activities, debt repayment and asset acquisition in future years.

### **Business-type activities**

Business-type activities increased the County's net assets in the amount of \$702,824, accounting for sixteen percent of the total growth in the net assets of the County for the fiscal year ended September 30, 2010.

## **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, 2010, the County's governmental funds reported combined ending fund balances of \$45,007,718 a decrease of \$3,714,647. Unreserved and undesignated fund balance of \$14,166,178 in the general fund is available for spending at the County's discretion; \$18,730,819 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; \$12,110,721 is designated for legally restricted expenditures in accordance with the specific revenue sources.

The General Fund is the operating fund of the County. At September 30, 2010, unreserved fund balance of this fund was \$14,166,178 while the total fund balance amounted to \$17,532,453. 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 twenty three percent of the total general fund expenditures and other financing uses.

The fund balance of the County's general fund decreased by \$794,966 during the fiscal year ended September 30, 2010.

### **Proprietary funds**

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

Proprietary funds reported unrestricted net assets of \$758,909 at September 30, 2010.

## **Capital Asset and Debt Administration**

The County's investment in capital assets for its governmental and business-type activities as of September 30, 2010 amounts to \$294,729,087 (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, 2010 was \$1,138,162 (\$1,867,083 net increase for governmental activities and a net decrease of \$728,921 for business-type activities).

### **Capital Assets**

Additional information on the county's capital assets can be found in Notes 5, 6 and 7 on pages 36 - 38 of this report.

### **Long-term debt**

There was no new debt issued by the County.

Additional information on the County's debt can be found in Note 8 on pages 39 - 45 of this report.

## **Economic Factors and Next year's Budgets and Rates**

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

During fiscal year 2007, the Florida Legislature imposed restrictions on the ability of municipalities and counties to increase millage rates. In January 2008, the voters of Florida passed Amendment 1, which further limits property tax collections. In addition to the impact of Amendment 1, the value of properties on Flagler County's 2009 tax roll also experienced a reduction in value.

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

### **Requests for Information**

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

**FLAGLER COUNTY, FLORIDA  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2010**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 11,592,197	\$ 314,127	\$ 11,906,324
Restricted cash, including investments of \$401,038	-	2,316,497	2,316,497
Investments	35,252,857	3,775,230	39,028,087
Internal balances	1,870,898	(1,870,898)	-
Due from other governmental agencies	5,848,750	359,890	6,208,640
Receivables, net	1,716,175	129,269	1,845,444
Note receivable	584,499	-	584,499
Unamortized bond issuance costs	950,846	-	950,846
Deferred outflow - swaps	808,796	151,140	959,936
Inventory	263,347	50,839	314,186
Other assets	84,232	350	84,582
Capital assets:			
Land and work in process	86,330,004	1,602,130	87,932,134
Capital assets being depreciated, net	193,428,584	13,368,369	206,796,953
Total capital assets, net of depreciation	279,758,588	14,970,499	294,729,087
<b>TOTAL ASSETS</b>	<b>338,731,185</b>	<b>20,196,943</b>	<b>358,928,128</b>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	5,871,851	200,100	6,071,951
Due to other governmental agencies	1,152,824	16,520	1,169,344
Deposits	901,340	42,059	943,399
Deferred revenue	384,369	1,067	385,436
Long-term liabilities			
Due within one year:			
Notes and bonds payable	3,896,000	182,171	4,078,171
Compensated absences	2,518,940	47,082	2,566,022
Arbitrage liability	67,006	-	67,006
Capital Leases	133,598	-	133,598
Due in more than one year:			
Notes and bonds payable	80,318,753	2,998,989	83,317,742
Swaps	808,796	151,140	959,936
Arbitrage liability	7,445	-	7,445
Capital leases	142,597	-	142,597
OPEB liability	643,835	10,083	653,918
Payable from restricted cash:			
Landfill closure and postclosure care	-	584,951	584,951
<b>TOTAL LIABILITIES</b>	<b>96,847,354</b>	<b>4,234,162</b>	<b>101,081,516</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	196,914,786	11,789,339	208,704,125
Restricted for			
Debt service	6,724,008	-	6,724,008
Capital projects	15,222,881	2,192,203	17,415,084
Other purposes	7,699,786	1,222,330	8,922,116
Unrestricted	15,322,370	758,909	16,081,279
<b>TOTAL NET ASSETS</b>	<b>\$ 241,883,831</b>	<b>\$ 15,962,781</b>	<b>\$ 257,846,612</b>

The accompanying notes are an integral part of the financial statements

**FLAGLER COUNTY, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Functions/ Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets Primary Government		
		Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>PRIMARY GOVERNMENT</b>							
Governmental activities:							
General government	\$ 21,809,526	\$ 3,661,130	\$ 1,745,267	\$ -	\$ (16,403,129)	\$ -	\$ (16,403,129)
Public safety	35,250,421	6,458,469	720,682	521,937	(27,549,333)	-	(27,549,333)
Physical environment	649,192	-	-	-	(649,192)	-	(649,192)
Transportation	7,656,643	727,150	1,561,646	3,192,750	(2,175,097)	-	(2,175,097)
Economic environment	1,150,551	8,846	155,534	-	(986,171)	-	(986,171)
Human services	3,540,641	187,208	1,124,515	-	(2,228,918)	-	(2,228,918)
Culture and recreation	3,519,266	198,594	45,979	1,018,029	(2,256,664)	-	(2,256,664)
Interest on long-term debt	3,478,079	-	-	-	(3,478,079)	-	(3,478,079)
<b>Total Government Activities</b>	<b>77,054,319</b>	<b>11,241,397</b>	<b>5,353,623</b>	<b>4,732,716</b>	<b>(55,726,583)</b>	<b>-</b>	<b>(55,726,583)</b>
Business-type activities:							
Landfill	163,604	1,737	77,207	-	-	(84,660)	(84,660)
Airport	2,073,284	1,105,953	-	137,965	-	(829,366)	(829,366)
Utilities	388,864	464,158	-	17,000	-	92,294	92,294
Waste management	1,393,540	1,420,202	-	-	-	26,662	26,662
<b>Total Business-Type Activities</b>	<b>4,019,292</b>	<b>2,992,050</b>	<b>77,207</b>	<b>154,965</b>	<b>-</b>	<b>(795,070)</b>	<b>(795,070)</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 81,073,611</b>	<b>\$ 14,233,447</b>	<b>\$ 5,430,830</b>	<b>\$ 4,887,681</b>	<b>(55,726,583)</b>	<b>(795,070)</b>	<b>(56,521,653)</b>
<b>GENERAL REVENUES</b>							
Property taxes					47,562,219	-	47,562,219
Tourist and franchise taxes					1,328,338	139,656	1,467,994
Sales and fuel taxes					5,090,787	-	5,090,787
Intergovernmental					1,556,921	-	1,556,921
Miscellaneous					1,161,642	36,695	1,198,337
Settlement proceeds					-	911,498	911,498
Transfers					(410,045)	410,045	-
<b>Total General Revenues, Special Items and Transfers</b>					<b>56,289,862</b>	<b>1,497,894</b>	<b>57,787,756</b>
Change in net assets					563,279	702,824	1,266,103
<b>NET ASSETS, BEGINNING OF YEAR</b>					<b>241,320,552</b>	<b>15,259,957</b>	<b>256,580,509</b>
<b>NET ASSETS, END OF YEAR</b>					<b>\$ 241,883,831</b>	<b>\$ 15,962,781</b>	<b>\$ 257,846,612</b>

The accompanying notes are an integral part of the financial statements

**FLAGLER COUNTY, FLORIDA  
BALANCE SHEET – GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2010**

	<u>General Fund</u>	<u>Constitutional Gas Tax</u>	<u>NonMajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,105,991	\$ 193,811	\$ 4,819,010	\$ 11,118,812
Investments	10,953,712	369,299	20,405,665	31,728,676
Accounts receivable (net of allowance for uncollectibles)	904,756	1,983	181,430	1,088,169
Notes receivable	584,499	-	-	584,499
Due from other funds	2,103,603	2,788	499,004	2,605,395
Due from other governments	1,341,443	3,065,234	1,441,402	5,848,079
Inventory	263,347	-	-	263,347
Other assets	39,231	-	45,001	84,232
<b>TOTAL ASSETS</b>	<u>\$ 22,296,582</u>	<u>\$ 3,633,115</u>	<u>\$ 27,391,512</u>	<u>\$ 53,321,209</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 2,303,016	\$ 1,382,630	\$ 635,712	\$ 4,321,358
Deposits	491,440	-	399,503	890,943
Due to other funds	373,251	38,026	320,883	732,160
Due to other governments	746,178	-	406,646	1,152,824
Deferred revenue	850,244	147,106	218,856	1,216,206
<b>TOTAL LIABILITIES</b>	<u>4,764,129</u>	<u>1,567,762</u>	<u>1,981,600</u>	<u>8,313,491</u>
<b>FUND BALANCES</b>				
Reserved for growth impact	241,527	-	-	241,527
Reserved for advances	1,880,000	-	-	1,880,000
Reserved for inventory	263,347	-	-	263,347
Reserved for debt service	-	-	6,139,509	6,139,509
Reserved for capital outlay	478,222	30,217	271,082	779,521
Unreserved				
Designated for future use	503,179	2,000,239	303,399	2,806,817
Unreserved-undesignated	14,166,178	34,897	-	14,201,075
Unreserved-undesignated, reported in nonmajor				
Special revenue funds	-	-	16,469,387	16,469,387
Capital projects funds	-	-	2,226,535	2,226,535
<b>TOTAL FUND BALANCES</b>	<u>17,532,453</u>	<u>2,065,353</u>	<u>25,409,912</u>	<u>45,007,718</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 22,296,582</u>	<u>\$ 3,633,115</u>	<u>\$ 27,391,512</u>	<u>\$ 53,321,209</u>

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, 2010**

**TOTAL FUND BALANCES – GOVERNMENTAL FUNDS** \$ 45,007,718

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	356,988,934	
Accumulated depreciation	(77,249,300)	
	279,739,634	279,739,634

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

Bonds payable	(82,141,000)	
Compensated absences	(2,518,940)	
OPEB liability	(643,835)	
Arbitrage liability	(74,451)	
Capital leases payable	(276,195)	
	(85,654,421)	(85,654,421)

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		(854,176)
Unamortized bond issuance costs		950,846
Special assessment note receivable, not recognized in fund levels due to expected collection in future years previously recognized as revenue on County-wide statements		584,499
Receivables in more than one year		314,329
Accrued interest payable		(1,219,577)

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

3,014,979

**NET ASSETS OF GOVERNMENTAL ACTIVITIES** \$ 241,883,831

The accompanying notes are an integral part of the financial statements

**FLAGLER COUNTY, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>General Fund</u>	<u>Constitutional Gas Tax</u>	<u>NonMajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes	\$ 43,364,085	\$ -	\$ 7,251,041	\$ 50,615,126
Special assessments	-	-	796,277	796,277
Licenses and permits	29,921	-	376,578	406,499
Intergovernmental	4,554,633	3,747,522	6,459,790	14,761,945
Charges for services	8,780,975	-	911,610	9,692,585
Fines and forfeitures	99,983	-	839,533	939,516
Miscellaneous revenue	771,960	-	75,126	847,086
Investment income	80,793	3,508	79,403	163,704
<b>TOTAL REVENUES</b>	<u>57,682,350</u>	<u>3,751,030</u>	<u>16,789,358</u>	<u>78,222,738</u>
<b>EXPENDITURES</b>				
Current				
General government	15,368,176	-	623,083	15,991,259
Public safety	30,381,320	-	1,473,177	31,854,497
Physical environment	256,991	-	309,670	566,661
Transportation	1,098,541	26,312	3,537,202	4,662,055
Economic environment	227,606	-	909,665	1,137,271
Human services	3,402,047	-	54,127	3,456,174
Culture and recreation	2,613,539	1,600	76,646	2,691,785
Court related	1,112,926	-	2,118,321	3,231,247
Capital outlay	3,065,085	3,976,474	3,943,124	10,984,683
Debt service				
Principal retirement	1,219,670	-	3,030,000	4,249,670
Interest and fiscal charges	414,544	-	3,313,239	3,727,783
<b>TOTAL EXPENDITURES</b>	<u>59,160,445</u>	<u>4,004,386</u>	<u>19,388,254</u>	<u>82,553,085</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,478,095)</u>	<u>(253,356)</u>	<u>(2,598,896)</u>	<u>(4,330,347)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,015,445	-	780,948	1,796,393
Transfers out	(744,316)	-	(862,122)	(1,606,438)
Capital lease proceeds	412,000	-	-	412,000
Special item – insurance recovery	-	-	13,745	13,745
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>683,129</u>	<u>-</u>	<u>(67,429)</u>	<u>615,700</u>
<b>NET CHANGE IN FUND BALANCE</b>	(794,966)	(253,356)	(2,666,325)	(3,714,647)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>18,327,419</u>	<u>2,318,709</u>	<u>28,076,237</u>	<u>48,722,365</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 17,532,453</u>	<u>\$ 2,065,353</u>	<u>\$ 25,409,912</u>	<u>\$ 45,007,718</u>

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, 2010**

**NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL ACTIVITIES** **\$ (3,714,647)**

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	11,208,390	
Current year depreciation	(9,490,169)	
Loss on disposal of fixed assets	(37,790)	
Contributions of capital assets	<u>167,698</u>	
		1,848,129

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		(45,637)
Unamortized bond premium		<u>35,985</u>

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	4,249,670	
Capital lease proceeds	<u>(412,000)</u>	
		3,837,670

Because certain receivables will not be collected for several months after the close of the County's fiscal year end, they are not considered as "available" revenues in the governmental funds. In the statement of activities, presented on the accrual basis, these revenues are recognized in the fiscal year they are earned.		(255,393)
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Special assessment deferred revenue recognized in the governmental funds.		(373,628)
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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	(98,672)	
OPEB liability	(288,718)	
Accrued interest payable	<u>259,356</u>	
		(128,034)

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	10,835	
Income from operations	(52,001)	
Transfers	<u>(600,000)</u>	
		(641,166)

<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>		<b><u>\$ 563,279</u></b>
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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 – GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>		<b>Actual Amounts</b>	<b>Variance With Final Budget – Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 45,215,855	\$ 45,215,855	\$ 43,364,085	\$ (1,851,770)
Licenses and permits	34,000	34,000	29,921	(4,079)
Intergovernmental	2,975,092	4,227,376	4,554,633	327,257
Charges for services	8,632,510	8,846,630	8,780,975	(65,655)
Fines and forfeitures	111,041	111,041	99,983	(11,058)
Miscellaneous revenue	875,760	1,255,282	771,960	(483,322)
Investment income	411,678	411,921	80,793	(331,128)
<b>TOTAL REVENUES</b>	<b>58,255,936</b>	<b>60,102,105</b>	<b>57,682,350</b>	<b>(2,419,755)</b>
<b>EXPENDITURES</b>				
Current				
General government	16,653,490	16,822,530	15,368,176	1,454,354
Public safety	30,545,879	30,992,411	30,381,320	611,091
Physical environment	267,731	267,731	256,991	10,740
Transportation	1,186,702	1,186,702	1,098,541	88,161
Economic environment	1,117,157	1,117,157	227,606	889,551
Human services	3,393,926	3,990,691	3,402,047	588,644
Culture and recreation	2,878,845	2,958,258	2,613,539	344,719
Court related	1,197,146	1,263,261	1,112,926	150,335
Capital outlay	2,104,090	3,218,928	3,065,085	153,843
Debt service				
Principal retirement	1,434,000	1,233,930	1,219,670	14,260
Interest and fiscal charges	402,546	404,322	414,544	(10,222)
<b>TOTAL EXPENDITURES</b>	<b>61,181,512</b>	<b>63,455,921</b>	<b>59,160,445</b>	<b>4,295,476</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,925,576)</b>	<b>(3,353,816)</b>	<b>(1,478,095)</b>	<b>1,875,721</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	600,000	1,021,639	1,015,445	(6,194)
Transfers out	(1,146,273)	(1,220,119)	(744,316)	475,803
Capital lease proceeds	-	-	412,000	412,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(546,273)</b>	<b>(198,480)</b>	<b>683,129</b>	<b>881,609</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(3,471,849)</b>	<b>(3,552,296)</b>	<b>(794,966)</b>	<b>2,757,330</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>18,327,419</b>	<b>18,327,419</b>	<b>18,327,419</b>	<b>-</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 14,855,570</b>	<b>\$ 14,775,123</b>	<b>\$ 17,532,453</b>	<b>\$ 2,757,330</b>

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, 2010**

	<u>Budgeted Amounts</u>		<b>Actual Amounts</b>	<b>Variance With Final Budget – Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental	\$ 6,972,932	\$ 11,554,317	\$ 3,747,522	\$ (7,806,795)
Investment income	20,000	20,000	3,508	(16,492)
<b>TOTAL REVENUES</b>	<u>6,992,932</u>	<u>11,574,317</u>	<u>3,751,030</u>	<u>(7,823,287)</u>
<b>EXPENDITURES</b>				
Current				
Transportation	36,822	42,822	26,312	16,510
Culture and recreation	-	9,400	1,600	7,800
Capital outlay	8,572,815	13,011,697	3,976,474	9,035,223
<b>TOTAL EXPENDITURES</b>	<u>8,609,637</u>	<u>13,063,919</u>	<u>4,004,386</u>	<u>9,059,533</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,616,705)</u>	<u>(1,489,602)</u>	<u>(253,356)</u>	<u>1,236,246</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,616,705)	(1,489,602)	(253,356)	1,236,246
<b>FUND BALANCES, BEGINNING OF YEAR</b>	2,318,709	2,318,709	2,318,709	-
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 702,004</u>	<u>\$ 829,107</u>	<u>\$ 2,065,353</u>	<u>\$ 1,236,246</u>

The accompanying notes are an integral part of the financial statements

**FLAGLER COUNTY, FLORIDA**  
**STATEMENT OF NET ASSETS – PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2010**

Business-type Activities – Enterprise Funds

	<u>Landfill Fund</u>	<u>Airport Fund</u>	<u>Utility</u>	<u>NonMajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities – Internal Service Fund</u>
<b>ASSETS</b>						
Current assets						
Cash and equivalents	\$ 8,187	\$ 288,553	\$ -	\$ 17,387	\$ 314,127	\$ 473,385
Investments	2,488,571	448,159	-	838,500	3,775,230	3,524,181
Accounts receivables, net	13,359	54,960	47,026	13,924	129,269	628,006
Due from other funds	2,560	17,062	2,570	13,331	35,523	712
Due from other governments	16,070	326,820	17,000	-	359,890	671
Prepaid expenses	-	-	350	-	350	-
Inventory	-	50,839	-	-	50,839	-
<b>Total Current Assets</b>	<u>2,528,747</u>	<u>1,186,393</u>	<u>66,946</u>	<u>883,142</u>	<u>4,665,228</u>	<u>4,626,955</u>
Non-current assets						
Deferred outflow	-	151,140	-	-	151,140	-
Restricted cash	1,807,281	-	108,178	-	1,915,459	-
Restricted investments	-	-	401,038	-	401,038	-
Land and construction in progress	203,404	583,974	814,752	-	1,602,130	-
Other capital assets, net of accumulated depreciation	147,602	12,288,505	932,129	133	13,368,369	18,954
<b>Total Non-Current Assets</b>	<u>2,158,287</u>	<u>13,023,619</u>	<u>2,256,097</u>	<u>133</u>	<u>17,438,136</u>	<u>18,954</u>
<b>TOTAL ASSETS</b>	<u>\$ 4,687,034</u>	<u>\$ 14,210,012</u>	<u>\$ 2,323,043</u>	<u>\$ 883,275</u>	<u>\$ 22,103,364</u>	<u>\$ 4,645,909</u>
<b>LIABILITIES</b>						
Current liabilities						
Accounts payable and accrued expenses	\$ 4,100	\$ 80,038	\$ 12,843	\$ 103,119	\$ 200,100	\$ 1,550,493
Deposits	-	19,969	22,090	-	42,059	10,397
Due to other funds	185	8,027	5,620	12,589	26,421	3,049
Due to other governments	35	5,440	11,045	-	16,520	-
Deferred revenue	-	1,067	-	-	1,067	66,991
Compensated absences	10,528	26,133	10,421	-	47,082	-
Current portion of long term debt	-	182,171	-	-	182,171	-
<b>Total Current Liabilities</b>	<u>14,848</u>	<u>322,845</u>	<u>62,019</u>	<u>115,708</u>	<u>515,420</u>	<u>1,630,930</u>
Non-current liabilities						
Payable from restricted cash:						
Landfill closure and post closure care	584,951	-	-	-	584,951	-
OPEB liability	2,092	5,737	2,254	-	10,083	-
Swap	-	151,140	-	-	151,140	-
Advances from other funds	-	-	1,880,000	-	1,880,000	-
Notes Payable	-	2,998,989	-	-	2,998,989	-
<b>Total Non-current liabilities</b>	<u>587,043</u>	<u>3,155,866</u>	<u>1,882,254</u>	<u>-</u>	<u>5,625,163</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>601,891</u>	<u>3,478,711</u>	<u>1,944,273</u>	<u>115,708</u>	<u>6,140,583</u>	<u>1,630,930</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	351,006	9,691,319	1,746,881	133	11,789,339	-
Restricted for						
Landfill post closure care	1,222,330	-	-	-	1,222,330	-
Future capital outlay	1,225,758	397,294	569,151	-	2,192,203	-
Unrestricted	1,286,049	642,688	(1,937,262)	767,434	758,909	3,014,979
<b>TOTAL NET ASSETS</b>	<u>4,085,143</u>	<u>10,731,301</u>	<u>378,770</u>	<u>767,567</u>	<u>15,962,781</u>	<u>3,014,979</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 4,687,034</u>	<u>\$ 14,210,012</u>	<u>\$ 2,323,043</u>	<u>\$ 883,275</u>	<u>\$ 22,103,364</u>	<u>\$ 4,645,909</u>

The accompanying notes are an integral part of the financial statements

**FLAGLER COUNTY, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN FUND NET ASSETS – PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Business-type Activities – Enterprise Funds

	Landfill Fund	Airport Fund	Utility	NonMajor Enterprise Funds	Total	Governmental Activities – Internal Service Fund
<b>OPERATING REVENUES</b>						
Charges for services	\$ 1,737	\$ 1,105,953	\$ 464,158	\$ 1,420,202	\$ 2,992,050	\$ -
Employee and employer contributions	-	-	-	-	-	6,054,050
Miscellaneous	1,847	24,969	64	-	26,880	1,931
<b>Total Operating Revenues</b>	<u>3,584</u>	<u>1,130,922</u>	<u>464,222</u>	<u>1,420,202</u>	<u>3,018,930</u>	<u>6,055,981</u>
<b>OPERATING EXPENSES</b>						
Personal services	132,436	295,409	144,664	-	572,509	-
Vehicle fuel	2,739	11,092	6,289	-	20,120	-
Aviation fuel	-	465,569	-	-	465,569	-
Contractual services	19,516	75,143	36,164	1,387,282	1,518,105	-
Repairs and maintenance	9,478	31,872	15,267	-	56,617	2,824
Professional services	101,990	380	13,297	485	116,152	441,454
Employee claims	-	-	-	-	-	5,201,185
Utilities	2,009	67,504	85,040	-	154,553	-
Insurance	6,975	56,261	10,959	-	74,195	460,188
Rentals and leases	872	5,675	1,242	-	7,789	-
Depreciation	94,272	789,477	27,279	800	911,828	98
Miscellaneous	4,162	84,569	38,769	4,973	132,473	2,233
Provision for closure and post closure care	(210,845)	-	-	-	(210,845)	-
<b>Total Operating Expenses</b>	<u>163,604</u>	<u>1,882,951</u>	<u>378,970</u>	<u>1,393,540</u>	<u>3,819,065</u>	<u>6,107,982</u>
Operating Income/(loss)	<u>(160,020)</u>	<u>(752,029)</u>	<u>85,252</u>	<u>26,662</u>	<u>(800,135)</u>	<u>(52,001)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Intergovernmental	77,207	137,965	17,000	-	232,172	-
Franchise fees	-	-	-	139,656	139,656	-
Settlement income	-	911,498	-	-	911,498	-
Interest income	5,425	587	827	2,976	9,815	10,835
Interest expense	-	(190,333)	(9,894)	-	(200,227)	-
<b>Total Non-operating Revenues (Expenses)</b>	<u>82,632</u>	<u>859,717</u>	<u>7,933</u>	<u>142,632</u>	<u>1,092,914</u>	<u>10,835</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>(77,388)</u>	<u>107,688</u>	<u>93,185</u>	<u>169,294</u>	<u>292,779</u>	<u>(41,166)</u>
Transfers in	-	397,294	-	12,751	410,045	-
Transfers out	-	-	-	-	-	(600,000)
<b>CHANGE IN NET ASSETS</b>	<u>(77,388)</u>	<u>504,982</u>	<u>93,185</u>	<u>182,045</u>	<u>702,824</u>	<u>(641,166)</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>4,162,531</u>	<u>10,226,319</u>	<u>285,585</u>	<u>585,522</u>	<u>15,259,957</u>	<u>3,656,145</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 4,085,143</u>	<u>\$ 10,731,301</u>	<u>\$ 378,770</u>	<u>\$ 767,567</u>	<u>\$ 15,962,781</u>	<u>\$ 3,014,979</u>

The accompanying notes are an integral part of the financial statements

**FLAGLER COUNTY, FLORIDA**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2010**

	Major Proprietary Funds			NonMajor Proprietary Fund	Total	Internal Service
	Landfill	Airport	Utility			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers	\$ 45,188	\$ 1,158,217	\$ 470,379	\$ 1,423,483	\$ 3,097,267	\$ 5,439,413
Payments to suppliers	(149,768)	(1,107,202)	(211,653)	(1,498,031)	(2,966,654)	(5,792,245)
Payments to employees	(128,997)	(288,631)	(140,430)	-	(558,058)	-
Other receipts	1,847	24,969	64	-	26,880	1,931
<b>Net Cash Provided (Used) By Operating Activities</b>	<u>(231,730)</u>	<u>(212,647)</u>	<u>118,360</u>	<u>(74,548)</u>	<u>(400,565)</u>	<u>(350,901)</u>
<b>NON-CAPITAL FINANCING ACTIVITIES</b>						
Franchise fees	-	-	-	139,656	139,656	-
Increase (decrease) in due from other funds	(1,595)	(12,076)	(240)	2,410	(11,501)	11,925
Increase (decrease) in due to other funds	(3,658)	(571,255)	(3,381)	12,567	(565,727)	3,049
Settlement receipt	-	911,498	-	-	911,498	-
Operating transfers in	-	-	-	12,751	12,751	-
Operating transfers out	-	-	-	-	-	(600,000)
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<u>(5,253)</u>	<u>328,167</u>	<u>(3,621)</u>	<u>167,384</u>	<u>486,677</u>	<u>(585,026)</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Change in due from other governments	-	573,619	(17,000)	-	556,619	-
Acquisition and construction of capital assets	-	(132,741)	(50,164)	-	(182,905)	(19,052)
Transfers in	-	397,294	-	-	397,294	-
Payments on long term debt	-	(174,698)	-	-	(174,698)	-
Intergovernmental	77,207	137,965	17,000	-	232,172	-
Interest paid	-	(190,333)	(9,894)	-	(200,227)	-
<b>Net Cash Provided (used) by Capital and Related Financing Activities</b>	<u>77,207</u>	<u>611,106</u>	<u>(60,058)</u>	<u>-</u>	<u>628,255</u>	<u>(19,052)</u>
<b>INVESTING ACTIVITIES</b>						
Interest on investments	5,425	587	827	2,976	9,815	10,835
<b>Net Cash Provided by Investing Activities</b>	<u>5,425</u>	<u>587</u>	<u>827</u>	<u>2,976</u>	<u>9,815</u>	<u>10,835</u>
Net increase in cash and equivalents	(154,351)	727,213	55,508	95,812	724,182	(944,144)
<b>CASH AND EQUIVALENTS, BEGINNING OF YEAR</b>	<u>4,458,390</u>	<u>9,499</u>	<u>453,708</u>	<u>760,075</u>	<u>5,681,672</u>	<u>4,941,710</u>
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	<u>\$ 4,304,039</u>	<u>\$ 736,712</u>	<u>\$ 509,216</u>	<u>\$ 855,887</u>	<u>\$ 6,405,854</u>	<u>\$ 3,997,566</u>
<b>CASH AND EQUIVALENTS, END OF YEAR</b>						
Unrestricted	\$ 8,187	\$ 288,553	\$ -	\$ 17,387	\$ 314,127	\$ 473,385
Restricted	1,807,281	-	509,216	-	2,316,497	-
<b>INVESTMENTS – UNRESTRICTED</b>	<u>2,488,571</u>	<u>448,159</u>	<u>-</u>	<u>838,500</u>	<u>3,775,230</u>	<u>3,524,181</u>
	<u>\$ 4,304,039</u>	<u>\$ 736,712</u>	<u>\$ 509,216</u>	<u>\$ 855,887</u>	<u>\$ 6,405,854</u>	<u>\$ 3,997,566</u>

Continued

**FLAGLER COUNTY, FLORIDA  
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS  
SEPTEMBER 30, 2010**

	Major Proprietary Funds			NonMajor Proprietary Fund	Total	Internal Service
	Landfill	Airport	Utility			
<b>Reconciliation of Operating Income (loss) to net cash Provided by Operating Activities</b>						
Operating income (loss)	\$ (160,020)	\$ (752,029)	\$ 85,252	\$ 26,662	\$ (800,135)	\$ (52,001)
Adjustment to reconcile operating loss to net cash used in operations:						
Depreciation	94,272	789,477	27,279	800	911,828	98
Provision for closure and post closure care	(210,845)	-	-	-	(210,845)	-
Changes in assets and liabilities						
Accounts receivable	(7,845)	52,264	6,221	3,281	53,921	(615,196)
Inventory	-	(16,345)	-	-	(16,345)	-
Due from other governments	51,296	-	-	-	51,296	559
Accounts payable and accrued expenses	(1,521)	(264,113)	(9,657)	(105,291)	(380,582)	304,088
Deferred revenue	-	1,067	-	-	1,067	11,710
Due to other governments	(6)	(7,333)	1,996	-	(5,343)	-
Deposits	(500)	(22,413)	3,035	-	(19,878)	(159)
Compensated absences	2,514	4,732	3,205	-	10,451	-
OPEB liability	925	2,046	1,029	-	4,000	-
<b>NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ (231,730)</u>	<u>\$ (212,647)</u>	<u>\$ 118,360</u>	<u>\$ (74,548)</u>	<u>\$ (400,565)</u>	<u>\$ (350,901)</u>

The accompanying notes are an integral part of the financial statements

**FLAGLER COUNTY, FLORIDA  
STATEMENT OF FIDUCIARY NET ASSETS  
SEPTEMBER 30, 2010**

		<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$	3,552,352
Accounts receivable		35,458
Due from other governments		13,505
<hr/>		
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>3,601,315</u></b>
 <b>LIABILITIES</b>		
Due to other governments	\$	2,051,823
Deposits		1,454,071
Other Liabilities		95,421
<hr/>		
<b>TOTAL LIABILITIES</b>	<b>\$</b>	<b><u>3,601,315</u></b>

The accompanying notes are an integral part of the financial statements

**FLAGLER COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**(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 THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

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

(a) **Reporting Entity** (continued)

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

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

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

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

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

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

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

**FLAGLER COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**(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 THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

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

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

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

The County reports the following major proprietary funds:

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

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

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

Additionally, the County reports the following fund types:

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

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

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

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

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

**FLAGLER COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

(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

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.
- (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.

**FLAGLER COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

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

(h) **Budgets and Budgetary Accounting** (continued)

- (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 category 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.
  - (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.

**FLAGLER COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

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

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

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

(l) **Encumbrances** - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in all governmental funds. Encumbrances outstanding at year-end are reported within unreserved undesignated fund balances. Unexpended items which are encumbered at year end are reappropriated in the subsequent year. Encumbrances of governmental funds at September 30, 2010 were approximately \$2,947,978.

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

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

(o) **Interfund Activity** - Interfund activity within and among the County's three fund categories (governmental, proprietary, and fiduciary) are classified as reciprocal interfund activity and nonreciprocal interfund activity. Reciprocal interfund resource flows between the funds with an expectation of repayment are reported as interfund receivables and payables. Reciprocal interfund resource flows, without an expectation of repayment within a reasonable time, are reported as transfers between funds. Interfund services provided and used are sales and purchases of goods and services between funds for a price approximating their external value and are reported as revenues and expenditures (or expenses) in the funds. Nonreciprocal interfund activity are flows of assets between funds without an equivalent flow of assets in return or without a requirement for repayment are reported as transfers in governmental funds and nonoperating revenues and expenses in proprietary funds.

(p) **Deferred Revenue** - Deferred revenues are recorded on the governmental fund balance sheet and the proprietary statement of net assets in the amount of \$1,216,206 and \$68,058, 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.

**FLAGLER COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

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

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, 2010.

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

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

Fund balance reservations include:

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

Significant designations of fund balance include:

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

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

**FLAGLER COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**(2) Cash Deposits and Investments:**

**Deposits:**

At year end, the carrying amount of the County's deposits was \$17,374,135. The bank balances were \$20,051,197. 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, 2010, the County had the following cash deposits balances:

	<b>Maturity Date</b>	<b>Market Value</b>
Cash and cash equivalents	N/A	\$ 12,014,502
Restricted cash and cash equivalents	N/A	1,807,281
Cash and cash equivalents with trustee	N/A	3,552,352
Total		\$ 17,374,135

**Investments:**

Flagler County's investment policy is pursuant to Section 218.415, Florida Statutes that updated permitted investments, asset allocation limits, issuer limits, credit ratings requirements, and maturity limits to protect the County's cash and investment assets. On January 20, 2009 the County approved a revised investment policy. The County maintains a common cash and investment pool for the use of all funds.

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

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

**FLAGLER COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

(2) **Cash Deposits and Investments:** (continued)

As of September 30, 2010, the County had the following investment types and weighted average duration presented in terms of years:

<b>Security Type</b>	<b>Fair Value</b>	<b>Weighted Average Duration (Years)</b>
Federal Farm Credit Bank (FFCB)	\$ 3,736,381	0.38
Federal Home Loan Bank (FHLB)	5,205,929	0.46
Federal Home Loan Mortgage Corporation (FHLMC)	6,274,276	0.32
U.S. Treasury Note	10,171,523	0.23
PFM Funds - Prime Money Market Fund Institutional Class	8,336,020	53 Days
Wells Fargo Advantage Heritage Money Market Fund Institutional Class	5,704,996	24 Days
<b>TOTAL</b>	<b>\$ 39,429,125</b>	<b>0.25</b>

\*. A Money Market Fund's duration is based on weighted average duration in days. Information source for PFM Funds Prime Series money market fund's weighted average duration was September 30, 2010 Fund Fact Sheet. Bloomberg was the source for the Wells Fargo Advantage Heritage Money Market Fund's weighted average duration.

**A. Interest Rate Risk**

The County's investment policy sets limits for investment maturities to match known cash needs and anticipated cash flow requirements. Investments of current operating funds shall have maturities of no longer than twenty-four (24) months. Investments of bond reserves, construction funds, and other non-operating funds, "core funds", shall have a term appropriate to the need for funds and in accordance with debt covenants. The purchase of investments for core funds with maturities longer than five (5) years requires the Clerks approval prior to purchase. The maturities of the underlying securities of a repurchase agreement will follow the requirements of the Master Repurchase Agreements. The County utilizes "weighted average duration" as a measurement of interest rate risk and as of September 30, 2010, the investment portfolio had a weighted average duration of 0.25 years.

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

**B. Credit Risk**

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

The Florida Local Government Surplus Funds Trust Fund ("SBA") shall be rated "AAAm" by the Standard & Poor's or the equivalent by another rating agency.

Commercial paper of any United States company that is rated, at the time of the purchase, "Prime-1" by Moody's and "A-1" by Standard & Poor's (prime commercial paper).

Bankers' acceptances which are issued by a domestic bank which has at the time of purchase, an unsecured, uninsured and unguaranteed obligation rating of at least "Prime-1" by Moody's or "A-1" by Standard & Poor's.

**FLAGLER COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**(2) Cash Deposits and Investments:** (continued)

Corporate notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long term debt rating, at the time of purchase, at a minimum "Aa" by Moody's and a minimum long term debt rating of "AA" by Standard & Poor's.

State and/or local government taxable and/or tax-exempt debt, general obligation and/or revenue bonds, rated at least "Aa" by Moody's or "AA" by Standard & Poor's for long-term debt, or rated at least "MIG-2" by Moody's or "SP-2" by Standard & Poor's for short-term debt.

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

Intergovernmental investment pool shall be rated "AAAm" by Standard & Poor's or the equivalent by another rating agency.

As of September 30, 2010, the County had the following credit exposure as a percentage of total investments:

<b>Security Type</b>	<b>Fair Value</b>	<b>Portfolio Asset Allocation</b>
Federal Farm Credit Bank (FFCB)	\$ 3,736,381	9.48%
Federal Home Loan Bank (FHLB)	5,205,929	13.20%
Federal Home Loan Mortgage Corporation (FHLMC)	6,274,276	15.91%
U.S. Treasury Note	10,171,523	25.80%
PFM Funds - Prime Money Market Fund Institutional Class	8,336,020	21.14%
Wells Fargo Advantage Heritage Money Market Fund Institutional Class	5,704,996	14.47%
<b>TOTAL</b>	<b>\$ 39,429,125</b>	<b>100.00%</b>

**C. Custodial Credit Risk**

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

As of September 30, 2010, the County's investment portfolio and 2005 Capital Improvement Bond Portfolio were held with a third-party custodian as required by the County's investment policy.

**FLAGLER COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

(2) **Cash Deposits and Investments:** (continued)

**D. Concentration of Credit Risk**

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

A maximum of 25% of available funds may be invested in the SBA, 100% of available fund may be invested in United States Government Securities, 50% of available funds may be invested in United States Government agencies with a 25% limit on individual issuers, 75% of available funds may be invested in Federal Instrumentalities with a 25% limit on individual issuers, 50% of available funds may be invested in non-negotiable interest bearing time certificates of deposit or savings accounts with a 25% limit on individual issuers, 50% of available funds may be invested in Repurchase Agreements with a 25% limit on individual issuers, 25% of available funds may be invested in Commercial Paper with a 10% limit on individual issuers, 30% of available funds may be invested in Bankers' Acceptances with a 15% limit on individual issuers, 15% of available funds may be invested in Corporate Notes with a 5% limit on individual issuers, 20% of available funds may be invested in State and/or Local Government Taxable and/or Tax-Exempt Debt with a 10% limit on individual issuers, 50% of available funds may be invested in Money Market Mutual Funds with a 25% limit on individual issuers, a maximum of 25% may be invested in intergovernmental investment pools.

As of September 30, 2010, the County had the following issuer concentration based on fair value:

<b>Security Type</b>	<b>Fair Value</b>	<b>Portfolio Asset Allocation</b>
Federal Farm Credit Bank (FFCB)	\$ 3,736,381	9.48%
Federal Home Loan Bank (FHLB)	5,205,929	13.20%
Federal Home Loan Mortgage Corporation (FHLMC)	6,274,276	15.91%
U.S. Treasury Note	10,171,523	25.80%
PFM Funds - Prime Money Market Fund Institutional Class	8,336,020	21.14%
Wells Fargo Advantage Heritage Money Market Fund Institutional Class	5,704,996	14.47%
<b>TOTAL</b>	<b>\$ 39,429,125</b>	<b>100.00%</b>

(3) **Property Taxes:**

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

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

**FLAGLER COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**(3) Property Taxes:** (continued)

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

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

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

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

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

Key dates in the property tax cycle are as follows:

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

**(4) Allowance for Doubtful Accounts:**

Account receivables are reported net of an allowance for uncollectible accounts of \$2,379,540 in the General Fund and, \$16,361 and \$120,834 in the Enterprise Funds (Utilities and Waste Management, respectively).

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**FLAGLER COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

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

A summary of changes in capital assets follows:

	<b>Balance October 1, 2009</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance September 30, 2010</b>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 80,589,637	\$ 2,671,728	\$ -	\$ 83,261,365
Fine art collection	123,700	-	-	123,700
Construction in process	592,018	2,474,844	121,923	2,944,939
Total capital assets, not being depreciated	81,305,355	5,146,572	121,923	86,330,004
Capital assets, being depreciated:				
Buildings	76,240,964	74,424	-	76,315,388
Improvements other than buildings	16,248,645	519,077	-	16,767,722
Equipment	32,243,852	1,439,404	447,769	33,235,487
Vehicles	13,895,563	1,793,508	811,048	14,878,023
Infrastructure	126,937,284	2,525,026	-	129,462,310
Total capital assets being depreciated	265,566,308	6,351,439	1,258,817	270,658,930
Less accumulated depreciation for:				
Buildings	6,496,302	1,515,913	-	8,012,215
Improvements other than buildings	7,157,645	1,040,766	-	8,198,411
Equipment	17,551,388	2,779,249	448,739	19,881,898
Vehicles	8,530,311	1,513,186	772,288	9,271,209
Infrastructure	29,244,512	2,641,055	-	31,885,567
Total accumulated depreciation	68,980,158	9,490,169	1,221,027	77,249,300
Total capital assets being depreciated, net	196,586,150	(3,138,730)	37,790	193,409,630
	<u>\$ 277,891,505</u>	<u>\$ 2,007,842</u>	<u>\$ 159,713</u>	<u>\$ 279,739,634</u>

**FLAGLER COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

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

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

Governmental activities:	
General government	\$ 2,235,159
Public safety	3,235,006
Physical environment	55,920
Transportation	3,195,232
Economic environment	11,467
Human services	68,395
Culture/recreation	<u>688,990</u>
Total depreciation expense - governmental activities	<u><u>\$ 9,490,169</u></u>

**(6) Capital Assets – Internal Service Fund:**

	<u>Balance October 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2010</u>
Internal Service activities:				
Capital assets, being depreciated:				
Equipment	\$ -	\$ 19,052	\$ -	\$ 19,052
Less accumulated depreciation	<u>-</u>	<u>98</u>	<u>-</u>	<u>98</u>
Total capital assets being depreciated, net	<u><u>\$ -</u></u>	<u><u>\$ 18,954</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 18,954</u></u>

Depreciation expense charged to the internal service fund was \$98.

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**FLAGLER COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**(7) Capital Assets -Enterprise Funds:**

	<u>Balance October 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2010</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 395,300	\$ -	\$ -	\$ 395,300
Construction in process	1,114,322	97,005	4,497	1,206,830
Total capital assets, not being depreciated	<u>1,509,622</u>	<u>97,005</u>	<u>4,497</u>	<u>1,602,130</u>
Capital assets, being depreciated:				
Buildings	10,466,859	-	-	10,466,859
Improvements other than buildings	8,301,776	81,592	-	8,383,368
Equipment	1,853,975	8,807	359,322	1,503,460
Infrastructure	243,019	-	-	243,019
Total capital assets being depreciated	<u>20,865,629</u>	<u>90,399</u>	<u>359,322</u>	<u>20,596,706</u>
Less accumulated depreciation for:				
Buildings	1,215,297	232,320	-	1,447,617
Improvements other than buildings	4,028,032	489,253	-	4,517,285
Equipment	1,401,694	184,931	359,322	1,227,303
Infrastructure	30,808	5,324	-	36,132
Total accumulated depreciation	<u>6,675,831</u>	<u>911,828</u>	<u>359,322</u>	<u>7,228,337</u>
Total capital assets being depreciated, net	<u>14,189,798</u>	<u>(821,429)</u>	<u>-</u>	<u>13,368,369</u>
Business-type activities capital assets, net	<u>\$ 15,699,420</u>	<u>\$ (724,424)</u>	<u>\$ 4,497</u>	<u>\$ 14,970,499</u>
Depreciation expense was charged as follows:				
Business-type activities:				
Airport	\$ 789,477			
Sanitary landfill	94,272			
Utilities	27,279			
Waste management	800			
Total depreciation expense - business-type activities	<u>\$ 911,828</u>			

**FLAGLER COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**(8) Long-Term Debt:**

The balance of bonds and notes payable at September 30, 2010, are as follows:

**Bonds and Notes Payable from Governmental Activities**

<p><b>Limited General Obligation Bonds, Series 2005</b> with an original face value of \$6,665,000, were issued in February, 2005 to finance the costs of the acquisition of certain environmentally sensitive lands in the County. Interest is paid at 3.000 – 3.625%. The bonds are limited obligations of the County. The payment of principal and interest on the bond is payable from and secured by a pledge of ad valorem taxes at a rate not to exceed 0.163 mill per year on all taxable property within the County. Principal payments are due on July 1. Interest payments are due on January 1 and July 1 of each year. Maturity is July 1, 2017.</p>	4,100,000
<p><b>General Obligation Bonds, Series 2005</b> with an original face value of \$32,990,000 were issued September, 2005 to finance the costs of the acquisition and construction of a new judicial center in the County. Interest is paid at 3.000 – 4.375%. The bonds are general obligations of the County. The payment of principal and interest on the bond is payable from and secured by a pledge of ad valorem taxes on all taxable property within the County. Principal payments are due on July 1. Interest payments are due on January 1 and July 1 of each year. Maturity is July 1, 2035.</p>	29,935,000
<p><b>Capital Improvement Revenue Bonds, Series 2005</b> with an original face value of \$34,105,000, were issued in September 2005 to finance the costs of the acquisition and construction of certain capital improvements in the County and funding a deposit to the Reserve Account for the Series 2005 Capital Improvement Revenue Bonds. Interest is paid at 3.250 – 5.000%. The bonds are special obligations of the County. The payment of principal and interest on the bond is payable solely from and secured by a lien upon and pledge of all monies allocated for and distributed to the County from the Local Government Half-Cent Sales Tax, Discretionary Sales Surtax, Communication Services Tax and Revenue Sharing. Principal payments are due on Oct 1. Interest payments are due on April 1 and October 1 each year. Maturity is October 1, 2035.</p>	29,255,000
<p><b>Limited General Obligation Bonds, Series 2009</b> with an original face value of \$10,000,000, were issued in August, 2009 to finance the costs of the acquisition of certain environmentally sensitive lands in the County. Interest is paid at 5.110%. 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 0.250 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, 2029.</p>	9,735,000
<p><b>Special Assessment Revenue Note, Series 2002</b> with an original face value of \$3,730,000 were issued December 2002 to refund the Special Assessment Revenue Bonds, Series 1991 which financed the construction of extensions and improvements to “Colbert Lane” along with two park access roads. Interest is payable at a fixed rate of 3.83% per annum. The principal and interest are payable solely from and secured by a prior lien upon and pledge of the proceeds of a special assessment levied against all property determined to be specifically benefited by the project. Maturity is July 1, 2014.</p>	1,240,000

**FLAGLER COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

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

<b>Note Payable</b> - was issued on September 28, 2005 in the amount of \$11,346,000. Payments of principal and interest at 4.73% are due on October 1 and April 1 each year. Maturity is October 1, 2020.	<u>7,876,000</u>
Bonds and notes payable from governmental activities	<u>82,141,000</u>
<b>Note Payable from Business-Type Activities</b>	
<b>Note Payable</b> - was issued on November 30, 2004 in the amount of \$3,500,000. Payments of principal and interest at 4.43% are due on January 1, April 1, July 1 and October 1 each year. Maturity is October 1, 2023.	1,122,604
<b>Note Payable</b> - was issued on October 24, 2006 in the amount of \$2,050,000. Payments of principal and interest at 7.48% are due on December 31, March 31, June 30 and September 30 each year. Maturity is December 31, 2025.	1,817,901
<b>Note Payable</b> - non-interest bearing note was issued on June 28, 2008 as a repayment on a CDBG grant in the amount of \$413,905. Payments of principal only, are due quarterly on each January 1, April 1, July 1 and October 1. Maturity is January 1, 2015	240,655
<b>Capital Lease Obligation</b>	
Various installment lease purchases of vehicles and office equipment with lease maturity dates through November 30, 2011.	276,195
<b>Accrued Compensated Absences</b>	
Governmental Activities	2,518,940
Business-Type Activities	47,082
<b>OPEB Liability</b>	
Governmental Activities	643,835
Business-Type Activities	10,083
<b>Arbitrage Liability</b>	74,451
<b>Landfill closure and and postclosure care</b>	584,951
<b>Add Unamortized Premium</b>	<u>854,176</u>
Total Long-Term Obligations	<u><u>\$ 90,331,873</u></u>

**FLAGLER COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

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

As of September 30, 2010, 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, 2010, are as follows:

Fiscal Year Ending September 30,	General long-term bonds		Notes payable		Total Long-Term Obligations and Interest
	Principal	Interest	Principal	Interest	Interest
2011	2,860,000	3,209,929	1,218,171	593,683	7,881,783
2012	2,960,000	3,104,522	1,115,007	542,751	7,722,280
2013	3,080,000	2,987,246	1,152,616	492,499	7,712,361
2014	2,400,000	2,869,804	1,192,662	440,900	6,903,366
2015	2,505,000	2,764,266	896,567	387,083	6,552,916
2016-2020	12,100,000	12,220,678	5,043,746	1,227,242	30,591,666
2021-2025	13,360,000	9,611,517	1,629,100	229,756	24,830,373
2026-2030	15,805,000	6,296,423	49,291	922	22,151,636
2031-2035	16,220,000	2,585,000	-	-	18,805,000
2036	1,735,000	43,375	-	-	1,778,375
Total principal and interest	73,025,000	45,692,760	12,297,160	3,914,836	134,929,756
Less interest to be paid	-	(45,692,760)	-	(3,914,836)	(49,607,596)
Total principal	73,025,000	-	12,297,160	-	85,322,160
Deferred amounts	854,176	-	-	-	854,176
Totals	<u>\$ 73,879,176</u>	<u>\$ -</u>	<u>\$ 12,297,160</u>	<u>\$ -</u>	<u>86,176,336</u>

Long-term obligations not included above:

Accrued compensated absences payable	2,566,022
OPEB liability	653,918
Arbitrage liability	74,451
Capitalized lease obligations	276,195
Landfill closure and post closure care	584,951

Total long-term obligations \$ 90,331,873

**FLAGLER COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

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

Changes in long-term liabilities for the fiscal year ended September 30, 2010, are summarized as follows:

	<b>Balance October 1, 2009</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance September 30, 2010</b>	<b>Due within one year</b>
<b>Governmental activities:</b>					
General long-term obligations:					
Bonds payable	75,745,000	-	2,720,000	73,025,000	2,860,000
Notes payable	10,260,000	-	1,144,000	9,116,000	1,036,000
Deferred amounts:					
Issuance premiums	890,161	-	35,985	854,176	35,985
Total bonds and notes payable	86,895,161	-	3,899,985	82,995,176	3,931,985
Accrued compensated absences	2,420,268	2,827,946	2,729,274	2,518,940	2,518,940
OPEB liability	355,117	288,718	-	643,835	-
Arbitrage liability	373,289	-	298,838	74,451	67,006
Capitalized lease obligations	249,865	412,000	385,670	276,195	133,598
Total governmental activity long-term obligations	90,293,700	3,528,664	7,313,767	86,508,597	6,651,529
<b>Business-type activities:</b>					
Notes payable	3,355,858	-	174,698	3,181,160	182,171
Accrued compensated absences	36,631	37,142	26,691	47,082	47,082
OPEB liability	6,083	4,000	-	10,083	-
Landfill closure and postclosure care	795,796	-	210,845	584,951	-
Total business-type activity long-term obligations	4,194,368	41,142	412,234	3,823,276	229,253
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>\$ 94,488,068</b>	<b>\$ 3,569,806</b>	<b>\$ 7,726,001</b>	<b>\$ 90,331,873</b>	<b>\$ 6,880,782</b>

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

The County is the lessee of equipment and vehicles expiring at various dates through November 30, 2011. The assets and liabilities under the capital leases are recorded at the present value of the minimum lease payments.

The following is an analysis of fixed assets leased under capital leases as of September 30, 2010:

	<b>Balance September 30, 2010</b>
Vehicles and Equipment	\$ 3,179,427
Less: accumulated depreciation	(2,269,721)
Capital assets net	<u>\$ 909,706</u>

**FLAGLER COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

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

Future minimum lease payments under the capital leases as of September 30, 2010 and for the remaining terms are as follows:

<b>Fiscal Year Ending September 30</b>	<b>Amount</b>
2011	\$ 141,103
2012	146,399
Total principal and interest	287,502
Less amounts representing interest	(11,307)
Total principal	\$ 276,195

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:

	<b>Amount originally reserved</b>	<b>Amount used as of September 30, 2010</b>	<b>Remaining balance, September 30, 2010</b>
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, 2010 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 THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**(8) 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 - 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, 2010 was \$1,122,604. The county receives payments quarterly and makes payments quarterly. The swap is related to the \$3,500,000 construction of capital assets.

**Fair Value** - As of September 30, 2010, the underlying swaps had a negative fair value of \$151,140. This fair value was obtained by the counter-parties' mark to market reports submitted to the County. The fair value is reported in deferred outflow in the accompanying Statement of Net Assets as required by GASB 53 which was implemented by the County as of September 30, 2010.

**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, 2010 was \$7,876,000. 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, 2010, the underlying swaps had a negative fair value of \$808,796. This fair value was obtained by the counter-parties' mark to market reports submitted to the County. The fair value is reported in deferred outflow in the accompanying Statement of Net Assets as required by GASB 53 which was implemented by the County as of September 30, 2010.

Changes in the fair value of the derivative instruments for the fiscal year ended September 30, 2010 were as follows:

	<u>Changes in Fair Value</u>		<u>Fair Value at September 30, 2010</u>		<u>Notional</u>
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	
<b>Governmental activities</b>					
Cash flow hedges:					
Pay-fixed interest rate swaps	Deferred outflow	(196,819)	Debt	(808,796)	\$ 7,876,000
<b>Business-type activities</b>					
Cash flow hedges:					
Pay-fixed interest rate swaps	Deferred outflow	(38,228)	Debt	(151,140)	\$ 1,122,604

**FLAGLER COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

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

**Obligation for Bond Arbitrage Rebate** – Pursuant to the U.S. Internal Revenue Code, the County must rebate to the United States Government the excess of interest earned from the investment of certain bond proceeds and pledged revenues over the yield rate of the applicable debt. Arbitrage rebate, if any, is due and payable on each five year anniversary of the respective debt issue. As of September 30, 2010, the outstanding arbitrage rebate liability was \$74,451.

**(9) Landfill Closure and Postclosure Costs:**

State and federal laws and regulations require the County to place a final cover on the Construction and Demolition Debris Landfill (C&D) Landfill when closed and to perform certain maintenance and monitoring functions at the landfill site for five years after closure. The C&D Landfill facility was closed April 2006. The accrued costs for postclosure care as of September 30, 2010 are \$72,073.

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, 2010 are \$512,878.

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, 2010. Actual costs may be different due to inflation, changes in technology, or changes in laws and regulations. The County is required by state and federal laws and regulations to establish escrow accounts for closure and postclosure costs of the three landfills. The County has complied with these requirements by depositing \$1,807,281 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 THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

(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 contribution rates are based on an actuarial report prepared for the State. Retirement coverage is employee noncontributory. The employer pays all contributions. The contribution rates are as follows:

	<b>October 1, 2009 - June 30, 2010</b>	<b>July 1, 2010 - September 30, 2010</b>
Regular employees	9.85%	10.77%
Special risk employees	20.92%	23.25%
Elected county officials	16.53%	18.64%
Senior management	13.12%	14.57%
Deferred retirement option employees	10.91%	12.25%

The contribution rate of current year covered payroll is 13.2 percent. For the years ended September 30, 2010, 2009, and 2008, total contributions were \$4,670,342, \$4,283,552, and \$4,420,041, 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, 2010, 133 employees of the County were participating in the Investment Plan. For the years ended September 30, 2010, 2009, and 2008, total contributions were \$441,797, \$270,436, and \$309,565 respectively. The County made actual contributions equal to the actuarially determined required contributions each year.

**FLAGLER COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

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

**Deferred Compensation Plan –**

The County offers their employees deferred compensation plans created in accordance with Internal Revenue Code (IRC) Section 457. The County complied with the requirements of subsection (g) of IRC Section 457 and, accordingly, all assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. Deferred compensation amounts withheld from participating employees' pay are not taxable as current income until withdrawn from the plan. Annual contributions by a participant may not exceed the lesser of \$16,500 or 50% of gross annual compensation. There is an "age 50 catch up" provision that allows an additional \$5,500 contribution from the year the employee reaches 50 until the employee terminates employment.

(11) **Risk Management:**

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

Employee life and health insurance is provided under an externally administered self-insured plan. Employees pay for cost of family health insurance coverage. The County pays all administrative fees and purchases insurance to absorb losses in excess of \$125,000. 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 \$1,550,493 at September 30, 2010 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 \$3,238,555 to the plan for the year ended September 30, 2010. Changes in the Fund's claims liability were as follows:

	<b>Liability at October 1</b>	<b>Claims incurred</b>	<b>Claims paid</b>	<b>Liability at September 30</b>
2007 - 2008	1,537,986	5,582,094	5,877,466	1,242,614
2008 - 2009	1,242,614	4,849,863	4,846,074	1,246,403
2009 - 2010	1,246,403	5,201,185	4,897,095	1,550,493

**FLAGLER COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**(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, 2010, interfund balances consisted of:

	<u>Due from other funds</u>	<u>Due to other funds</u>
General fund	\$ 97,872	\$ 373,251
General fund advances	2,005,731	-
Constitutional gas tax	2,788	38,026
Nonmajor governmental funds	499,004	195,152
Nonmajor governmental funds advances	-	125,731
Sanitary landfill	2,560	185
Airport	17,062	8,027
Utility	2,570	5,620
Nonmajor business-type funds	13,331	12,589
Nonmajor business-type funds advances	-	1,880,000
Internal service fund	712	3,049
	<u>\$ 2,641,630</u>	<u>\$ 2,641,630</u>

The advance balance of \$1,880,000 from the utilities fund for start up costs remains open.

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

	<u>Transfer in</u>	<u>Transfer out</u>
General fund	\$ 1,015,445	\$ 744,316
Nonmajor governmental funds	780,948	862,122
Airport	397,294	
Nonmajor business-type funds	12,751	-
Internal service fund	-	600,000
	<u>\$ 2,206,438</u>	<u>\$ 2,206,438</u>
Total transfers	<u>\$ 2,206,438</u>	<u>\$ 2,206,438</u>

**FLAGLER COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**(13) Commitments and Contingencies:**

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

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

**(14) Special Assessment Receivable:**

Special assessment receivable consists of a special assessment levied for the Colbert Lane project and is included in the General Fund. The special assessment is payable in semi-annual installments equal to the semi-annual principal debt service requirements and matures July 2014. Additionally, interest is charged at a rate equal to the interest rate on the special assessment debt plus 1% (4.83% at September 30, 2010). Special assessment receivable at September 30, 2010 was \$584,499 and is due from one taxpayer.

**(15) Other Postemployment Benefits:**

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

**FLAGLER COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

(15) **Other Postemployment Benefits:** (continued)

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

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

The schedule of employer contributions was as follows:

<u>Balance September 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percent Funded</u>
2008	269,900	50,000	19%
2009	351,800	207,800	59%
2010	365,900	74,682	20%

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

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability(UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
10/1/2007	\$ -	\$1,704,200	\$ 1,704,200	0%	\$ 30,554,000	6%
9/30/2009	-	2,468,400	2,468,400	0%	30,503,600	8%

\*. Funding progress information for the County for 2010 and 2007 is unavailable since the County implemented the requirement of GASB No. 45 in 2008, and is only required to update the actuarial study every other year.

**FLAGLER COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**(16) Other Required Individual Fund Disclosures:**

**Deficit Fund Balances** – The Municipal Services fund has a deficit fund balance in the amount of \$41,733, this deficit is a result of operations and is expected to be liquidated with a subsidy from the General fund of the County.

**(17) Subsequent Events:**

Subsequent to year end the County entered into a new bond agreement

**FLAGLER COUNTY, FLORIDA  
 COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**Special Revenue Funds**

	Fine and Forfeiture	County Transportation Trust	Legal Aid	Law Enforcement Trust	Law Library
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,038	\$ 282,516	\$ 22,001	\$ 54,312	\$ 17,665
Investments	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Due from other funds	-	100,170	1,517	231,476	1,434
Due from other governments	-	523,177	-	-	-
Other assets	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 1,038</b>	<b>\$ 905,863</b>	<b>\$ 23,518</b>	<b>\$ 285,788</b>	<b>\$ 19,099</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 23	\$ 115,362	\$ 11,287	\$ 198	\$ 415
Deposits	-	89,065	-	-	-
Due to other funds	-	5,369	-	3,000	-
Due to other governments	-	-	-	-	-
Deferred revenue	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>23</b>	<b>209,796</b>	<b>11,287</b>	<b>3,198</b>	<b>415</b>
<b>FUND BALANCES (DEFICIT)</b>					
Reserved for growth impact	-	-	-	-	-
Reserved for inventory	-	-	-	-	-
Reserved for debt service	-	-	-	-	-
Reserved for capital outlay	-	-	-	-	-
Unreserved:					
Designated for future use	-	5,700	-	-	-
Unreserved-undesignated	1,015	690,367	12,231	282,590	18,684
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>1,015</b>	<b>696,067</b>	<b>12,231</b>	<b>282,590</b>	<b>18,684</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)</b>	<b>\$ 1,038</b>	<b>\$ 905,863</b>	<b>\$ 23,518</b>	<b>\$ 285,788</b>	<b>\$ 19,099</b>

**Special Revenue Funds (Continued)**

<b>Court Facilities</b>	<b>Tourist Development Tax Capital</b>	<b>Tourist Development Tax Promotion</b>	<b>Tourist Development Tax Beach Restoration</b>	<b>Countywide Road Damage</b>	<b>Environmentally Sensitive Lands</b>
\$ 104,291	\$ 200,676	\$ 206,615	\$ 98,044	\$ 34	\$ 22,169
629,196	978,837	404,284	549,038	-	660,723
3,378	5,255	2,170	2,947	-	3,547
20,521	-	-	-	-	-
-	23,865	43,753	24,683	-	-
-	-	-	-	-	-
<b>\$ 757,386</b>	<b>\$ 1,208,633</b>	<b>\$ 656,822</b>	<b>\$ 674,712</b>	<b>\$ 34</b>	<b>\$ 686,439</b>
\$ 3,957	\$ 7,248	\$ 24,063	\$ 74	\$ 22	\$ 256
-	-	-	-	-	-
823	3,509	4,681	-	-	-
-	-	5	-	-	-
-	-	-	-	-	-
<b>4,780</b>	<b>10,757</b>	<b>28,749</b>	<b>74</b>	<b>22</b>	<b>256</b>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	23,000	-	-
752,606	1,197,876	628,073	651,638	12	686,183
<b>752,606</b>	<b>1,197,876</b>	<b>628,073</b>	<b>674,638</b>	<b>12</b>	<b>686,183</b>
<b>\$ 757,386</b>	<b>\$ 1,208,633</b>	<b>\$ 656,822</b>	<b>\$ 674,712</b>	<b>\$ 34</b>	<b>\$ 686,439</b>

**FLAGLER COUNTY, FLORIDA  
 COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**Special Revenue Funds (Continued)**

	<b>ESL 2008 Referendum</b>	<b>Utility Regulatory Authority</b>	<b>800 MGHZ Expansion</b>	<b>Transportation Impact Fees East</b>	<b>Transportation Impact Fees West</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 59,900	\$ 21,376	\$ 854	\$ 13,314	\$ 5,698
Investments	856,522	-	297,905	2,838,766	84,540
Accounts receivable	4,598	-	1,599	15,239	454
Due from other funds	4,168	-	-	-	-
Due from other governments	-	-	-	84,773	-
Other assets	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 925,188</b>	<b>\$ 21,376</b>	<b>\$ 300,358</b>	<b>\$ 2,952,092</b>	<b>\$ 90,692</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 275	\$ 24	\$ 51	\$ 2,018	\$ 34
Deposits	-	-	300,000	-	-
Due to other funds	-	-	-	12,153	-
Due to other governments	-	-	-	264,646	-
Deferred revenue	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>275</b>	<b>24</b>	<b>300,051</b>	<b>278,817</b>	<b>34</b>
<b>FUND BALANCES (DEFICIT)</b>					
Reserved for growth impact	-	-	-	-	-
Reserved for inventory	-	-	-	-	-
Reserved for debt service	-	-	-	-	-
Reserved for capital outlay	-	-	-	188,225	-
Unreserved:					
Designated for future use	-	-	-	65,577	-
Unreserved-undesignated	924,913	21,352	307	2,419,473	90,658
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>924,913</b>	<b>21,352</b>	<b>307</b>	<b>2,673,275</b>	<b>90,658</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)</b>	<b>\$ 925,188</b>	<b>\$ 21,376</b>	<b>\$ 300,358</b>	<b>\$ 2,952,092</b>	<b>\$ 90,692</b>

**Special Revenue Funds (Continued)**

<b>Transportation Impact Fees – Palm Coast</b>	<b>New Transportation Impact Fees East</b>	<b>Park Impact Fees</b>	<b>Economic Development</b>	<b>CDBG FL Rock</b>	<b>CDBG Disaster Recovery</b>
\$ -	\$ 33,119	\$ 9,398	\$ 236,184	\$ 1,915	\$ -
4,234,907	458,965	144,533	-	-	-
22,734	2,464	776	-	-	-
-	-	-	-	-	-
-	39,902	781	-	-	2,012
-	-	-	-	-	-
<u>\$ 4,257,641</u>	<u>\$ 534,450</u>	<u>\$ 155,488</u>	<u>\$ 236,184</u>	<u>\$ 1,915</u>	<u>\$ 2,012</u>
\$ 15,521	\$ 17,184	\$ 177	\$ 565	\$ -	\$ -
-	-	-	-	-	-
-	11,513	4,325	-	-	2,012
-	-	-	-	-	-
-	-	-	-	1,067	-
<u>15,521</u>	<u>28,697</u>	<u>4,502</u>	<u>565</u>	<u>1,067</u>	<u>2,012</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
9,981	72,876	-	-	-	-
-	66,913	-	-	-	-
4,232,139	365,964	150,986	235,619	848	-
<u>4,242,120</u>	<u>505,753</u>	<u>150,986</u>	<u>235,619</u>	<u>848</u>	<u>-</u>
<u>\$ 4,257,641</u>	<u>\$ 534,450</u>	<u>\$ 155,488</u>	<u>\$ 236,184</u>	<u>\$ 1,915</u>	<u>\$ 2,012</u>

(Continued)

**FLAGLER COUNTY, FLORIDA  
 COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**Special Revenue Funds (Continued)**

	<b>State Housing Initiative</b>	<b>Bimini Gardens Municipal Service</b>	<b>Colbert Lane Settlement</b>	<b>Espanola Mosquito Control</b>	<b>Rima Ridge Mosquito Control</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 405,779	\$ 3,007	\$ 64,454	\$ 24,744	\$ 53,515
Investments	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Due from other funds	37	52	-	13	23
Due from other governments	926	-	-	-	-
Other assets	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 406,742</b>	<b>\$ 3,059</b>	<b>\$ 64,454</b>	<b>\$ 24,757</b>	<b>\$ 53,538</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 16,105	\$ 53	\$ 19	\$ 52	\$ 56
Deposits	-	-	-	-	-
Due to other funds	202	1,112	-	203	-
Due to other governments	-	-	-	110	176
Deferred revenue	-	-	-	14,193	34,897
<b>TOTAL LIABILITIES</b>	<b>16,307</b>	<b>1,165</b>	<b>19</b>	<b>14,558</b>	<b>35,129</b>
<b>FUND BALANCES (DEFICIT)</b>					
Reserved for growth impact	-	-	-	-	-
Reserved for inventory	-	-	-	-	-
Reserved for debt service	-	-	-	-	-
Reserved for capital outlay	-	-	-	-	-
Unreserved:					
Designated for future use	16,401	-	-	-	-
Unreserved-undesignated	374,034	1,894	64,435	10,199	18,409
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>390,435</b>	<b>1,894</b>	<b>64,435</b>	<b>10,199</b>	<b>18,409</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)</b>	<b>\$ 406,742</b>	<b>\$ 3,059</b>	<b>\$ 64,454</b>	<b>\$ 24,757</b>	<b>\$ 53,538</b>

**Special Revenue Funds (Continued)**

<b>Municipal Services</b>	<b>Building Department</b>	<b>Mediation and Arbitration</b>	<b>Court Services</b>	<b>Domestic Violence</b>	<b>Alcohol and Other Drug Trust</b>
\$ -	\$ 23,541	\$ 23	\$ 3	\$ 2,470	\$ 6,183
-	748,966	-	-	-	-
240	5,121	-	-	-	-
103,186	5,068	-	-	115	224
73,081	6,240	-	-	-	-
350	-	-	-	-	-
<b>\$ 176,857</b>	<b>\$ 788,936</b>	<b>\$ 23</b>	<b>\$ 3</b>	<b>\$ 2,585</b>	<b>\$ 6,407</b>
\$ 48,236	\$ 12,014	\$ 23	\$ -	\$ 23	\$ 2,522
10,438	-	-	-	-	-
126,030	323	-	-	-	-
33,886	1,048	-	-	-	-
-	-	-	-	-	-
<b>218,590</b>	<b>13,385</b>	<b>23</b>	<b>-</b>	<b>23</b>	<b>2,522</b>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(41,733)	775,551	-	3	2,562	3,885
<b>(41,733)</b>	<b>775,551</b>	<b>-</b>	<b>3</b>	<b>2,562</b>	<b>3,885</b>
<b>\$ 176,857</b>	<b>\$ 788,936</b>	<b>\$ 23</b>	<b>\$ 3</b>	<b>\$ 2,585</b>	<b>\$ 6,407</b>

(Continued)

**FLAGLER COUNTY, FLORIDA  
 COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**Special Revenue Funds (Continued)**

	<b>Court Technology</b>	<b>Juvenile Diversion</b>	<b>Crime Prevention</b>	<b>Court Innovations</b>	<b>Teen Court</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 35,971	\$ 18,672	\$ 18,311	\$ -	\$ 20,345
Investments	497,924	-	146,790	129,920	-
Accounts receivable	2,673	-	788	697	-
Due from other funds	13,718	1,489	2,083	1,627	2,329
Due from other governments	-	-	-	-	-
Other assets	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 550,286</b>	<b>\$ 20,161</b>	<b>\$ 167,972</b>	<b>\$ 132,244</b>	<b>\$ 22,674</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 28,892	\$ 24	\$ 38	\$ 6,167	\$ 1,531
Deposits	-	-	-	-	-
Due to other funds	75	-	10,363	128	14
Due to other governments	-	-	-	-	-
Deferred revenue	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>28,967</b>	<b>24</b>	<b>10,401</b>	<b>6,295</b>	<b>1,545</b>
<b>FUND BALANCES (DEFICIT)</b>					
Reserved for growth impact	-	-	-	-	-
Reserved for inventory	-	-	-	-	-
Reserved for debt service	-	-	-	-	-
Reserved for capital outlay	-	-	-	-	-
Unreserved:					
Designated for future use	-	-	-	-	-
Unreserved-undesignated	521,319	20,137	157,571	125,949	21,129
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>521,319</b>	<b>20,137</b>	<b>157,571</b>	<b>125,949</b>	<b>21,129</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)</b>	<b>\$ 550,286</b>	<b>\$ 20,161</b>	<b>\$ 167,972</b>	<b>\$ 132,244</b>	<b>\$ 22,674</b>

**Special Revenue Funds (Continued)**

<b>E-911</b>	<b>Daytona North Service District</b>	<b>Court General</b>	<b>Court Technology</b>	<b>Records Modernization</b>	<b>Law Enforcement Education</b>
\$ 76,042	\$ 22,023	\$ 169,523	\$ 100,263	\$ 73,862	\$ 23,872
310,998	399,833	-	-	-	-
1,670	2,146	2,862	1,746	-	-
158	3,548	-	-	-	-
57,583	12,690	17,339	-	-	-
-	-	-	-	44,651	-
<b>\$ 446,451</b>	<b>\$ 440,240</b>	<b>\$ 189,724</b>	<b>\$ 102,009</b>	<b>\$ 118,513</b>	<b>\$ 23,872</b>
\$ 4,309	\$ 938	\$ 37,052	\$ 24,946	\$ 24	\$ -
-	-	-	-	-	-
22	62,122	-	-	-	-
38	-	39,731	-	-	-
-	-	68,286	-	-	23,445
<b>4,369</b>	<b>63,060</b>	<b>145,069</b>	<b>24,946</b>	<b>24</b>	<b>23,445</b>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
30,889	-	-	-	-	-
411,193	377,180	44,655	77,063	118,489	427
<b>442,082</b>	<b>377,180</b>	<b>44,655</b>	<b>77,063</b>	<b>118,489</b>	<b>427</b>
<b>\$ 446,451</b>	<b>\$ 440,240</b>	<b>\$ 189,724</b>	<b>\$ 102,009</b>	<b>\$ 118,513</b>	<b>\$ 23,872</b>

(Continued)

**FLAGLER COUNTY, FLORIDA  
 COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Special Revenue Funds (Continued)</u>			<u>Debt Service Funds</u>	
	<u>Grants and Donations</u>	<u>Inmate Welfare</u>	<u>Total</u>	<u>Environmentally Sensitive Lands</u>	<u>Colbert Lane</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 19,957	\$ 1,545	\$ 2,555,224	\$ 4,713	\$ 102,691
Investments	-	-	14,372,647	24,339	527,652
Accounts receivable	-	-	83,104	131	2,833
Due from other funds	-	-	492,956	96	3,583
Due from other governments	-	-	910,805	-	-
Other assets	-	-	45,001	-	-
<b>TOTAL ASSETS</b>	<u>\$ 19,957</u>	<u>\$ 1,545</u>	<u>\$ 18,459,737</u>	<u>\$ 29,279</u>	<u>\$ 636,759</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 381,778	\$ 75	\$ 211
Deposits	-	-	399,503	-	-
Due to other funds	-	-	247,979	-	3
Due to other governments	-	-	339,640	-	-
Deferred revenue	-	-	141,888	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>1,510,788</u>	<u>75</u>	<u>214</u>
<b>FUND BALANCES (DEFICIT)</b>					
Reserved for growth impact	-	-	-	-	-
Reserved for inventory	-	-	-	-	-
Reserved for debt service	-	-	-	-	-
Reserved for capital outlay	-	-	271,082	-	-
Unreserved:					
Designated for future use	-	-	208,480	-	-
Unreserved-undesignated	19,957	1,545	16,469,387	29,204	636,545
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<u>19,957</u>	<u>1,545</u>	<u>16,948,949</u>	<u>29,204</u>	<u>636,545</u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)</b>	<u>\$ 19,957</u>	<u>\$ 1,545</u>	<u>\$ 18,459,737</u>	<u>\$ 29,279</u>	<u>\$ 636,759</u>

**Debt Service Funds (Continued)**

<b>Reserve Colbert Lane</b>	<b>ESL Bond Sinking</b>	<b>Capital Construction</b>	<b>Capital Construction GO Issue</b>	<b>ESL 2008 Referendum</b>	<b>Total</b>
\$ 887	\$ 5,991	\$ 1,973,792	\$ 25,213	\$ 3,813	\$ 2,117,100
-	658,047	2,549,875	6,271	62	3,766,246
-	3,533	1,856	34	-	8,387
-	455	-	1,370	416	5,920
-	-	289,143	-	-	289,143
-	-	-	-	-	-
<b>\$ 887</b>	<b>\$ 668,026</b>	<b>\$ 4,814,666</b>	<b>\$ 32,888</b>	<b>\$ 4,291</b>	<b>\$ 6,186,796</b>
\$ 15	\$ 137	\$ 584	\$ 76	\$ 73	\$ 1,171
-	-	42,500	-	3,613	46,116
-	-	-	-	-	-
-	-	-	-	-	-
<b>15</b>	<b>137</b>	<b>43,084</b>	<b>76</b>	<b>3,686</b>	<b>47,287</b>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
872	667,889	4,771,582	32,812	605	6,139,509
<b>872</b>	<b>667,889</b>	<b>4,771,582</b>	<b>32,812</b>	<b>605</b>	<b>6,139,509</b>
<b>\$ 887</b>	<b>\$ 668,026</b>	<b>\$ 4,814,666</b>	<b>\$ 32,888</b>	<b>\$ 4,291</b>	<b>\$ 6,186,796</b>

(Continued)

**FLAGLER COUNTY, FLORIDA  
 COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**Capital Projects Funds**

	<b>Beach Front Parks</b>	<b>Park Maintenance Trust</b>	<b>Capital Projects</b>	<b>Capital Projects New</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 33,729	\$ 1,996	\$ 4,774	\$ -
Investments	1,120,013	845,441	300,692	-
Accounts receivable	6,013	4,539	79,384	-
Due from other funds	-	128	-	-
Due from other governments	24,648	-	-	216,806
Other assets	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 1,184,403</b>	<b>\$ 852,104</b>	<b>\$ 384,850</b>	<b>\$ 216,806</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 20,010	\$ 161	\$ 15,108	\$ 117,312
Deposits	-	-	-	-
Due to other funds	1,794	209	-	24,785
Due to other governments	-	-	67,006	-
Deferred revenue	-	-	76,968	-
<b>TOTAL LIABILITIES</b>	<b>21,804</b>	<b>370</b>	<b>159,082</b>	<b>142,097</b>
<b>FUND BALANCES (DEFICIT)</b>				
Reserved for growth impact	-	-	-	-
Reserved for inventory	-	-	-	-
Reserved for debt service	-	-	-	-
Reserved for capital outlay	-	-	-	-
Unreserved:				
Designated for future use	20,210	-	-	74,709
Unreserved-undesignated	1,142,389	851,734	225,768	-
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>1,162,599</b>	<b>851,734</b>	<b>225,768</b>	<b>74,709</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)</b>	<b>\$ 1,184,403</b>	<b>\$ 852,104</b>	<b>\$ 384,850</b>	<b>\$ 216,806</b>

**FLAGLER COUNTY, FLORIDA  
 COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**Capital Projects Funds (Continued)**

<b>2008 ESL Referendum</b>	<b>Total</b>	<b>Total NonMajor Governmental Funds</b>
\$ 106,187	\$ 146,686	\$ 4,819,010
626	2,266,772	20,405,665
3	89,939	181,430
-	128	499,004
-	241,454	1,441,402
-	-	45,001
<u>\$ 106,816</u>	<u>\$ 2,744,979</u>	<u>\$ 27,391,512</u>
\$ 100,172	\$ 252,763	\$ 635,712
-	-	399,503
-	26,788	320,883
-	67,006	406,646
-	76,968	218,856
<u>100,172</u>	<u>423,525</u>	<u>1,981,600</u>
-	-	-
-	-	-
-	-	271,082
-	94,919	303,399
6,644	2,226,535	24,835,431
<u>6,644</u>	<u>2,321,454</u>	<u>25,409,912</u>
<u>\$ 106,816</u>	<u>\$ 2,744,979</u>	<u>\$ 27,391,512</u>

**FLAGLER COUNTY, FLORIDA  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**Special Revenue Funds**

	<b>Fine and Forfeitures</b>	<b>County Transportation Trust</b>	<b>Legal Aid</b>	<b>Law Enforcement Trust</b>	<b>Law Library</b>
<b>REVENUES</b>					
Taxes	\$ -	\$ 738,470	\$ -	\$ -	\$ -
Special assessments/Impact fees	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental	-	1,440,416	-	-	-
Charges for services	-	262,336	-	-	-
Fines and Forfeiture	-	-	18,541	248,116	18,521
Miscellaneous	780	9,181	-	-	-
Investment income	-	12	2	3	1
<b>TOTAL REVENUES</b>	<b>780</b>	<b>2,450,415</b>	<b>18,543</b>	<b>248,119</b>	<b>18,522</b>
<b>EXPENDITURES</b>					
Current					
General government	99	-	-	-	-
Public safety	-	-	-	26,432	-
Physical environment	-	-	-	-	-
Transportation	-	2,390,611	-	-	-
Economic environment	-	-	-	-	-
Human services	-	-	45,153	-	-
Culture and recreation	-	-	-	-	-
Court related	-	-	-	-	19,577
Capital outlay	-	1,020	-	-	-
Debt service					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>99</b>	<b>2,391,631</b>	<b>45,153</b>	<b>26,432</b>	<b>19,577</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>681</b>	<b>58,784</b>	<b>(26,610)</b>	<b>221,687</b>	<b>(1,055)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	10,137	15,197	-	-
Transfers out	(880)	-	-	-	-
Special item – insurance recovery	-	13,745	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(880)</b>	<b>23,882</b>	<b>15,197</b>	<b>-</b>	<b>-</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(199)</b>	<b>82,666</b>	<b>(11,413)</b>	<b>221,687</b>	<b>(1,055)</b>
<b>FUND BALANCES (DEFICIT), BEGINNING OF YEAR</b>	<b>1,214</b>	<b>613,401</b>	<b>23,644</b>	<b>60,903</b>	<b>19,739</b>
<b>FUND BALANCES (DEFICIT), END OF YEAR</b>	<b>\$ 1,015</b>	<b>\$ 696,067</b>	<b>\$ 12,231</b>	<b>\$ 282,590</b>	<b>\$ 18,684</b>

**Special Revenue Funds** Continued)

<b>Court Facilities</b>	<b>Tourist Development Tax Capital</b>	<b>Tourist Development Tax Promotion</b>	<b>Tourist Development Tax Beach Restoration</b>	<b>Countywide Road Damage</b>	<b>Environmentally Sensitive Lands</b>
\$ -	\$ 270,857	\$ 496,571	\$ 135,429	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
245,111	-	-	-	-	-
-	-	-	-	-	-
1,135	2,118	978	1,242	1	2,244
<u>246,246</u>	<u>272,975</u>	<u>497,549</u>	<u>136,671</u>	<u>1</u>	<u>2,244</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	209,368	-	99,036
-	-	-	-	99	-
-	-	469,289	-	-	-
-	53,795	-	-	-	-
50,246	-	-	-	-	-
-	17,044	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>50,246</u>	<u>70,839</u>	<u>469,289</u>	<u>209,368</u>	<u>99</u>	<u>99,036</u>
<u>196,000</u>	<u>202,136</u>	<u>28,260</u>	<u>(72,697)</u>	<u>(98)</u>	<u>(96,792)</u>
-	-	-	-	-	-
-	-	-	-	(10,137)	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,137)</u>	<u>-</u>
196,000	202,136	28,260	(72,697)	(10,235)	(96,792)
556,606	995,740	599,813	747,335	10,247	782,975
<u>\$ 752,606</u>	<u>\$ 1,197,876</u>	<u>\$ 628,073</u>	<u>\$ 674,638</u>	<u>\$ 12</u>	<u>\$ 686,183</u>

(Continued)

**FLAGLER COUNTY, FLORIDA  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**Special Revenue Funds (Continued)**

	<b>ESL 2008 Referendum</b>	<b>Utility Regulatory Authority</b>	<b>800 MGHZ Expansion</b>	<b>Transportation Impact Fees East</b>	<b>Transportation Impact Fees West</b>
<b>REVENUES</b>					
Taxes	\$ 955,947	\$ -	\$ -	\$ -	\$ -
Special assessments/Impact fees	-	-	-	-	51,234
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	165,621	-
Charges for services	-	-	-	-	-
Fines and forfeiture	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Investment income	1,158	1	504	8,297	(4)
<b>TOTAL REVENUES</b>	<b>957,105</b>	<b>1</b>	<b>504</b>	<b>173,918</b>	<b>51,230</b>
<b>EXPENDITURES</b>					
Current					
General government	-	-	-	-	-
Public safety	-	-	197	-	-
Physical environment	1,167	99	-	-	-
Transportation	-	-	-	432,031	114
Economic environment	-	-	-	-	-
Human services	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Court related	-	-	-	-	-
Capital outlay	29,225	-	-	21,480	-
Debt service					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>30,392</b>	<b>99</b>	<b>197</b>	<b>453,511</b>	<b>114</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>926,713</b>	<b>(98)</b>	<b>307</b>	<b>(279,593)</b>	<b>51,116</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Transfers out	(1,800)	-	-	(414,565)	-
Special item – insurance recovery	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,800)</b>	<b>-</b>	<b>-</b>	<b>(414,565)</b>	<b>-</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>924,913</b>	<b>(98)</b>	<b>307</b>	<b>(694,158)</b>	<b>51,116</b>
<b>FUND BALANCES (DEFICIT), BEGINNING OF YEAR</b>	<b>-</b>	<b>21,450</b>	<b>-</b>	<b>3,367,433</b>	<b>39,542</b>
<b>FUND BALANCES (DEFICIT), END OF YEAR</b>	<b>\$ 924,913</b>	<b>\$ 21,352</b>	<b>\$ 307</b>	<b>\$ 2,673,275</b>	<b>\$ 90,658</b>

**Special Revenue Funds (Continued)**

<b>Transportation Impact Fees – Palm Coast</b>	<b>New Transportation Impact Fees East</b>	<b>Park Impact Fees</b>	<b>Economic Development</b>	<b>CDBG FL Rock</b>	<b>CDBG Disaster Recovery</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	84,736	15,103	-	-	-
-	-	-	-	-	-
-	56,367	-	-	-	2,012
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
8,878	987	314	34	-	-
<u>8,878</u>	<u>142,090</u>	<u>15,417</u>	<u>34</u>	<u>-</u>	<u>2,012</u>
-	-	-	-	-	-
-	-	-	-	-	-
2,100	20,299	-	-	-	-
-	-	-	2,310	-	-
-	-	-	-	-	-
-	-	696	-	-	-
-	-	-	-	-	-
15,107	87,147	26,201	-	-	2,012
-	-	-	-	-	-
-	-	-	-	-	-
<u>17,207</u>	<u>107,446</u>	<u>26,897</u>	<u>2,310</u>	<u>-</u>	<u>2,012</u>
(8,329)	34,644	(11,480)	(2,276)	-	-
-	-	-	-	-	-
-	-	-	(397,294)	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(397,294)</u>	<u>-</u>	<u>-</u>
(8,329)	34,644	(11,480)	(399,570)	-	-
4,250,449	471,109	162,466	635,189	848	-
<u>\$ 4,242,120</u>	<u>\$ 505,753</u>	<u>\$ 150,986</u>	<u>\$ 235,619</u>	<u>\$ 848</u>	<u>\$ -</u>

(Continued)

**FLAGLER COUNTY, FLORIDA  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**Special Revenue Funds (Continued)**

	<b>State Housing Initiative</b>	<b>Bimini Gardens Municipal Service</b>	<b>Colbert Lane Settlement</b>	<b>Espanola Mosquito Control</b>	<b>Rima Ridge Mosquito Control</b>
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments/Impact fees	-	5,816	-	1,440	2,448
Licenses and permits	-	-	-	-	-
Intergovernmental	155,534	-	-	4,080	3,946
Charges for services	8,846	-	-	-	-
Fines and Forfeiture	-	-	-	-	-
Miscellaneous	13,064	-	-	-	-
Investment income	30	1	3	-	-
<b>TOTAL REVENUES</b>	<b>177,474</b>	<b>5,817</b>	<b>3</b>	<b>5,520</b>	<b>6,394</b>
<b>EXPENDITURES</b>					
Current					
General government	-	178	-	-	-
Public safety	12,687	-	-	-	-
Physical environment	-	-	-	-	-
Transportation	-	8,127	88	-	-
Economic environment	438,066	-	-	-	-
Human services	-	-	-	4,537	4,437
Culture and recreation	-	-	-	-	-
Court related	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>450,753</b>	<b>8,305</b>	<b>88</b>	<b>4,537</b>	<b>4,437</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(273,279)</b>	<b>(2,488)</b>	<b>(85)</b>	<b>983</b>	<b>1,957</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	52	-	13	22
Transfers out	-	-	-	-	-
Special item – insurance recovery	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>52</b>	<b>-</b>	<b>13</b>	<b>22</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(273,279)</b>	<b>(2,436)</b>	<b>(85)</b>	<b>996</b>	<b>1,979</b>
<b>FUND BALANCES (DEFICIT), BEGINNING OF YEAR</b>	<b>663,714</b>	<b>4,330</b>	<b>64,520</b>	<b>9,203</b>	<b>16,430</b>
<b>FUND BALANCES (DEFICIT), END OF YEAR</b>	<b>\$ 390,435</b>	<b>\$ 1,894</b>	<b>\$ 64,435</b>	<b>\$ 10,199</b>	<b>\$ 18,409</b>

**Special Revenue Funds (Continued)**

<b>Municipal Services</b>	<b>Building Department</b>	<b>Mediation and Arbitration</b>	<b>Court Services</b>	<b>Domestic Violence</b>	<b>Alcohol and Other Drug Trust Fund</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
7,375	369,203	-	-	-	-
498,965	-	-	-	-	-
423,438	1,414	-	-	-	-
35	5,600	-	-	2,121	3,469
1,092	477	-	-	-	-
-	1,760	1	-	-	1
<u>930,905</u>	<u>378,454</u>	<u>1</u>	<u>-</u>	<u>2,121</u>	<u>3,470</u>
529,418	-	-	-	-	-
120,397	546,260	-	-	-	-
-	-	-	-	-	-
440,985	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	99	-	99	8,099
13,928	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,104,728</u>	<u>546,260</u>	<u>99</u>	<u>-</u>	<u>99</u>	<u>8,099</u>
<u>(173,823)</u>	<u>(167,806)</u>	<u>(98)</u>	<u>-</u>	<u>2,022</u>	<u>(4,629)</u>
194,070	2,543	-	-	-	-
-	-	(20,361)	-	-	-
-	-	-	-	-	-
<u>194,070</u>	<u>2,543</u>	<u>(20,361)</u>	<u>-</u>	<u>-</u>	<u>-</u>
20,247	(165,263)	(20,459)	-	2,022	(4,629)
(61,980)	940,814	20,459	3	540	8,514
<u>\$ (41,733)</u>	<u>\$ 775,551</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ 2,562</u>	<u>\$ 3,885</u>

(Continued)

**FLAGLER COUNTY, FLORIDA  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**Special Revenue Funds (Continued)**

	<b>Court Technology</b>	<b>Juvenile Diversion</b>	<b>Crime Prevention</b>	<b>Court Innovations</b>	<b>Teen Court</b>
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments/Impact fees	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeiture	156,138	18,577	25,129	18,588	27,573
Miscellaneous	-	-	-	-	-
Investment income	933	1	302	339	(1)
<b>TOTAL REVENUES</b>	<b>157,071</b>	<b>18,578</b>	<b>25,431</b>	<b>18,927</b>	<b>27,572</b>
<b>EXPENDITURES</b>					
Current					
General government	218	-	169	-	-
Public safety	-	-	42,477	-	-
Physical environment	-	-	-	-	-
Transportation	-	-	-	-	-
Economic environment	-	-	-	-	-
Human services	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Court related	73,098	99	-	85,609	60,102
Capital outlay	7,581	-	-	-	-
Debt service					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>80,897</b>	<b>99</b>	<b>42,646</b>	<b>85,609</b>	<b>60,102</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>76,174</b>	<b>18,479</b>	<b>(17,215)</b>	<b>(66,682)</b>	<b>(32,530)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	49,967
Transfers out	-	-	-	-	-
Special item – insurance recovery	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>49,967</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>76,174</b>	<b>18,479</b>	<b>(17,215)</b>	<b>(66,682)</b>	<b>17,437</b>
<b>FUND BALANCES (DEFICIT), BEGINNING OF YEAR</b>	<b>445,145</b>	<b>1,658</b>	<b>174,786</b>	<b>192,631</b>	<b>3,692</b>
<b>FUND BALANCES (DEFICIT), END OF YEAR</b>	<b>\$ 521,319</b>	<b>\$ 20,137</b>	<b>\$ 157,571</b>	<b>\$ 125,949</b>	<b>\$ 21,129</b>

**Special Revenue Funds (Continued)**

<b>E-911</b>	<b>Daytona North Service District</b>	<b>Court General</b>	<b>Court Technology</b>	<b>Records Modernization</b>	<b>Law Enforcement Education</b>
\$ -	\$ 76,844	\$ -	\$ -	\$ -	\$ -
-	261,872	-	-	-	-
-	-	-	-	-	-
820,288	-	1,654,237	-	-	-
50	-	-	148,331	52,945	14,250
-	-	-	52,014	-	-
-	-	-	-	-	-
3,416	952	-	9	5	-
<hr/> 823,754	<hr/> 339,668	<hr/> 1,654,237	<hr/> 200,354	<hr/> 52,950	<hr/> 14,250
-	19,335	-	-	52,042	-
644,006	-	-	-	-	14,250
-	-	-	-	-	-
-	218,364	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	1,668,051	152,537	-	-
168,519	-	1,120	181,456	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<hr/> 812,525	<hr/> 237,699	<hr/> 1,669,171	<hr/> 333,993	<hr/> 52,042	<hr/> 14,250
<hr/> 11,229	<hr/> 101,969	<hr/> (14,934)	<hr/> (133,639)	<hr/> 908	<hr/> -
-	2,392	39,731	-	-	-
-	-	-	(17,085)	-	-
-	-	-	-	-	-
<hr/> -	<hr/> 2,392	<hr/> 39,731	<hr/> (17,085)	<hr/> -	<hr/> -
11,229	104,361	24,797	(150,724)	908	-
430,853	272,819	19,858	227,787	117,581	427
<hr/> <b>\$ 442,082</b>	<hr/> <b>\$ 377,180</b>	<hr/> <b>\$ 44,655</b>	<hr/> <b>\$ 77,063</b>	<hr/> <b>\$ 118,489</b>	<hr/> <b>\$ 427</b>

(Continued)

**FLAGLER COUNTY, FLORIDA  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Special Revenue Funds (Continued)			Debt Service Funds	
	Grants and Donations	Inmate Welfare	Total	Environmentally Sensitive Lands	Colbert Lane
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ 2,674,118	\$ 558	\$ -
Special assessments/Impact fees	-	-	422,649	-	373,628
Licenses and permits	-	-	376,578	-	-
Intergovernmental	-	-	4,801,466	-	-
Charges for services	-	-	911,610	-	-
Fines and forfeiture	-	-	839,533	-	-
Miscellaneous	20,206	29,524	74,324	-	-
Investment income	-	-	35,657	48	1,728
<b>TOTAL REVENUES</b>	<b>20,206</b>	<b>29,524</b>	<b>10,135,935</b>	<b>606</b>	<b>375,356</b>
<b>EXPENDITURES</b>					
Current					
General government	-	-	601,459	304	12,068
Public safety	31,153	35,318	1,473,177	-	-
Physical environment	-	-	309,670	-	-
Transportation	-	-	3,512,818	-	-
Economic environment	-	-	909,665	-	-
Human services	-	-	54,127	-	-
Culture and recreation	-	-	54,491	-	-
Court related	-	-	2,117,616	-	-
Capital outlay	-	-	571,840	-	-
Debt service					
Principal retirement	-	-	-	-	310,000
Interest and fiscal charges	-	-	-	-	59,365
<b>TOTAL EXPENDITURES</b>	<b>31,153</b>	<b>35,318</b>	<b>9,604,863</b>	<b>304</b>	<b>381,433</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(10,947)</b>	<b>(5,794)</b>	<b>531,072</b>	<b>302</b>	<b>(6,077)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	314,124	-	3,415
Transfers out	-	-	(862,122)	-	-
Special item—insurance recovery	-	-	13,745	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>(534,253)</b>	<b>-</b>	<b>3,415</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(10,947)</b>	<b>(5,794)</b>	<b>(3,181)</b>	<b>302</b>	<b>(2,662)</b>
<b>FUND BALANCES (DEFICIT), BEGINNING OF YEAR</b>	<b>30,904</b>	<b>7,339</b>	<b>16,952,130</b>	<b>28,902</b>	<b>639,207</b>
<b>FUND BALANCES (DEFICIT), END OF YEAR</b>	<b>\$ 19,957</b>	<b>\$ 1,545</b>	<b>\$ 16,948,949</b>	<b>\$ 29,204</b>	<b>\$ 636,545</b>

**Debt Service Funds (Continued)**

<b>Reserve Colbert Lane</b>	<b>ESL Bond Sinking</b>	<b>Capital Construction</b>	<b>Capital Construction GO Issue</b>	<b>ESL 2008 Referendum</b>	<b>Total</b>
\$ -	\$ 589,907	\$ 1,329,446	\$ 1,940,730	\$ 716,282	\$ 4,576,923
-	-	-	-	-	373,628
-	-	-	-	-	-
-	-	1,292,448	-	-	1,292,448
-	-	-	-	-	-
-	-	-	-	-	-
-	2,306	30,943	1,878	715	37,618
-	592,213	2,652,837	1,942,608	716,997	6,280,617
59	731	2,809	548	389	16,908
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	510,000	1,275,000	670,000	265,000	3,030,000
-	158,944	1,330,770	1,307,803	452,803	3,309,685
59	669,675	2,608,579	1,978,351	718,192	6,356,593
(59)	(77,462)	44,258	(35,743)	(1,195)	(75,976)
-	-	-	-	1,800	5,215
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	1,800	5,215
(59)	(77,462)	44,258	(35,743)	605	(70,761)
931	745,351	4,727,324	68,555	-	6,210,270
<u>\$ 872</u>	<u>\$ 667,889</u>	<u>\$ 4,771,582</u>	<u>\$ 32,812</u>	<u>\$ 605</u>	<u>\$ 6,139,509</u>

(Continued)

**FLAGLER COUNTY, FLORIDA  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**Capital Projects Funds**

	<b>Beach Front Parks</b>	<b>Park Maintenance Trust</b>	<b>Capital Projects</b>	<b>Capital Projects New</b>
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Special assessments/Impact fees	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	12,516	-	-	353,360
Charges for services	-	-	-	-
Fines and Forfeiture	-	-	-	-
Miscellaneous	-	-	802	-
Investment income	2,180	1,819	726	(16)
<b>TOTAL REVENUES</b>	<b>14,696</b>	<b>1,819</b>	<b>1,528</b>	<b>353,344</b>
<b>EXPENDITURES</b>				
Current				
General government	-	406	3,501	705
Public safety	-	-	-	-
Physical environment	-	-	-	-
Transportation	-	-	-	24,384
Economic environment	-	-	-	-
Human services	-	-	-	-
Culture and recreation	20,256	1,899	-	-
Court related	-	-	-	-
Capital outlay	21,366	-	13,000	738,488
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	3,554	-
<b>TOTAL EXPENDITURES</b>	<b>41,622</b>	<b>2,305</b>	<b>20,055</b>	<b>763,577</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(26,926)</b>	<b>(486)</b>	<b>(18,527)</b>	<b>(410,233)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	461,609
Transfers out	-	-	-	-
Special item – insurance recovery	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>461,609</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(26,926)</b>	<b>(486)</b>	<b>(18,527)</b>	<b>51,376</b>
<b>FUND BALANCES (DEFICIT), BEGINNING OF YEAR</b>	<b>1,189,525</b>	<b>852,220</b>	<b>244,295</b>	<b>23,333</b>
<b>FUND BALANCES (DEFICIT), END OF YEAR</b>	<b>\$ 1,162,599</b>	<b>\$ 851,734</b>	<b>\$ 225,768</b>	<b>\$ 74,709</b>

**Capital Projects Funds (Continued)**

<b>2008 ESL Referendum</b>	<b>Total</b>	<b>Total NonMajor Governmental Funds</b>
\$ -	\$ -	\$ 7,251,041
-	-	796,277
-	-	376,578
-	365,876	6,459,790
-	-	911,610
-	-	839,533
-	802	75,126
1,419	6,128	79,403
<hr/>	<hr/>	<hr/>
1,419	372,806	16,789,358
<hr/>	<hr/>	<hr/>
104	4,716	623,083
-	-	1,473,177
-	-	309,670
-	24,384	3,537,202
-	-	909,665
-	-	54,127
-	22,155	76,646
705	705	2,118,321
2,598,430	3,371,284	3,943,124
-	-	3,030,000
-	3,554	3,313,239
<hr/>	<hr/>	<hr/>
2,599,239	3,426,798	19,388,254
<hr/>	<hr/>	<hr/>
(2,597,820)	(3,053,992)	(2,598,896)
<hr/>	<hr/>	<hr/>
-	461,609	780,948
-	-	(862,122)
-	-	13,745
<hr/>	<hr/>	<hr/>
-	461,609	(67,429)
<hr/>	<hr/>	<hr/>
(2,597,820)	(2,592,383)	(2,666,325)
<hr/>	<hr/>	<hr/>
2,604,464	4,913,837	28,076,237
<hr/>	<hr/>	<hr/>
\$ 6,644	\$ 2,321,454	\$ 25,409,912

**FLAGLER COUNTY, FLORIDA  
 COMBINING STATEMENT OF NET ASSETS  
 NONMAJOR PROPRIETARY FUND – WASTE MANAGEMENT  
 SEPTEMBER 30, 2010**

	<b>Waste Management</b>
<b>ASSETS</b>	
Current Assets	
Cash and equivalents	\$ 17,387
Investments	838,500
Accounts receivable, net	13,924
Due from other funds	13,331
	883,142
<b>Total Current Assets</b>	<b>883,142</b>
Non Current Assets	
Land and construction in progress	-
Other capital assets, net of accumulated depreciation	133
	133
<b>Total Non Current Assets</b>	<b>133</b>
 <b>TOTAL ASSETS</b>	 <b>\$ 883,275</b>
 <b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	\$ 103,119
Due to other funds	12,589
	115,708
<b>Total Current Liabilities</b>	<b>115,708</b>
 <b>TOTAL LIABILITIES</b>	 <b>115,708</b>
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	133
Unrestricted	767,434
	767,567
<b>TOTAL NET ASSETS</b>	<b>767,567</b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b>\$ 883,275</b>

**FLAGLER COUNTY, FLORIDA  
 COMBINING STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN NET ASSETS  
 NONMAJOR PROPRIETARY FUND – WASTE MANAGEMENT  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<b>Waste Management</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 1,420,202
<hr/>	
<b>OPERATING EXPENSES</b>	
Contractual services	1,387,282
Professional services	485
Depreciation	800
Miscellaneous	4,973
<hr/>	
<b>Total Operating Expenses</b>	<b>1,393,540</b>
Operating Loss / Income	26,662
<b>NON OPERATING REVENUES (EXPENSES)</b>	
Franchise fees	139,656
Interest income	2,976
<hr/>	
<b>Total Non Operating Revenue (Expenses)</b>	<b>142,632</b>
Income (loss) before contributions and transfers	169,294
Transfers in, other funds	12,751
Change in net assets	182,045
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>585,522</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 767,567</b>

**FLAGLER COUNTY, FLORIDA  
COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<b>Waste Management</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 1,423,483
Payments to suppliers	(1,498,031)
	<b>(74,548)</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(74,548)</b>
<b>NON CAPITAL FINANCING ACTIVITIES</b>	
Franchise Fees	139,656
Increase (decrease) in due from other funds	2,410
Increase (decrease) in due to other funds	12,567
Operating transfers in	12,751
	<b>167,384</b>
<b>NET CASH PROVIDED BY NON CAPITAL FINANCING ACTIVITIES</b>	<b>167,384</b>
<b>INVESTING ACTIVITIES</b>	
Interest on investments	2,976
<b>NET INCREASE IN CASH AND EQUIVALENTS</b>	95,812
Cash and equivalents, beginning of year	760,075
Cash and equivalents, end of year	\$ 855,887
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	
Unrestricted	\$ 17,387
Investments – unrestricted	838,500
	\$ 855,887
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ 26,662
Adjustment to reconcile operating loss to net cash used in operations	
Depreciation	800
Changes in assets and liabilities:	
Accounts receivable	3,281
Accounts payable and accrued expenses	(105,291)
	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	\$ (74,548)

**FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

FEDERAL/STATE AGENCY/ PASS-THROUGH ENTITY FEDERAL PROGRAM/ STATE PROJECT TITLE	CFDA/CFSA NUMBER	CONTRACT/ GRANT NUMBER	PROGRAM/ PROJECT AWARDS	PROGRAM/ PROJECT EXPENDITURES
<b>FEDERAL AWARDS</b>				
<b>Federal Transit Administration</b>				
Passed Through the				
Department of Transportation				
Section 5310 Capital Projects	20.513	TD0473	\$ 127,060	\$ 59,292
Section 5311 Operating Assistance	20.509	APD37;42263318427	290,310	162,375
Section 5311 Operating Assistance	20.509	APD37;42263318428	310,577	269,651
Section 5311 Operating Assistance	20.509	APD37;42263318429	306,735	-
ARRA-Section 5311 Operating Assistance	20.509	N/A	76,004	75,810
				<u>507,836</u>
Section 5309 Operating Assistance	20.500	FL 04-0042-00/01	547,223	192,765
<b>Department of Health and Human Services</b>				
Passed Through the Northeast Florida				
Agency on Aging				
Older Americans Act Title III B	93.044	A009FCBCC	101,918	28,056
Older Americans Act Title III B	93.044	A010FCBCC	112,460	74,575
				<u>102,631</u>
Older Americans Act Title III C1	93.045	A009FCBCC	100,848	23,387
Older Americans Act Title III C1	93.045	A010FCBCC	125,054	51,789
Older Americans Act Title III C2	93.045	A009FCBCC	98,123	40,591
Older Americans Act Title III C2	93.045	A010FCBCC	117,063	117,063
				<u>232,830</u>
Older Americans Act Title III E	93.052	A009FCBCC	46,337	15,256
Older Americans Act Title III E	93.052	A010FCBCC	30,058	30,058
				<u>45,314</u>
Nutrition Services Incentives	93.053	U010FCBCC	27,103	27,103
ARRA-Older Americans Act Title III C2	93.705	A109FCBCC	15,198	2,067
ARRA-Older Americans Act Title III C1	93.707	A109FCBCC	9,893	3,840
Emergency Home Energy Assistance	93.568	P009FCBCC	17,999	11,029
Emergency Home Energy Assistance	93.568	P010FCBCC	22,830	3,284
				<u>14,313</u>
Passed Through the Florida Commission				
For the Transportation Disadvantaged				
Medicaid non-emergency				
Transportation Services	93.778	BDM65;41604318201	207,633	83,192
Passed Through the Florida				
Department of Revenue				
Title IV-D Child Support	93.563	CD318	86,247	86,247

**FLAGLER COUNTY, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

FEDERAL/STATE AGENCY/ PASS-THROUGH ENTITY FEDERAL PROGRAM/ STATE PROJECT TITLE	CFDA/CFSA NUMBER	CONTRACT/ GRANT NUMBER	PROGRAM/ PROJECT AWARDS	PROGRAM/ PROJECT EXPENDITURES
<b>United States Federal Emergency Management Agency</b>				
Passed Through the State of Florida Department of Community Affairs				
EMPA Base Grant	97.042	10BG-25-04-28-01-106	\$ 22,322	\$ 22,322
EMPA Base Grant	97.042	11FG-7W-04-28-01037	59,006	8,520
				<u>30,842</u>
<b>United States Department of Transportation</b>				
<b>Federal Aviation Administration</b>				
Environmental Assessment-Runway 11/29 Relocation, Apron Area for Additional Tie-downs and Partial Construction of Taxiway H				
	20.106	3-12-0009-11-2007	332,438	2,128
Passed Through the Florida Department of Transportation				
Project Safe Neighborhoods Strategies to Reduce Youth Drunk and Drugged Driving	16.609	2008-PMAG-FLAG-1-R6-009	91,449	20,016
Edward Byrne Memorial Formula Grant	20.605	CP-08-04-12	293	293
	16.738	2010-JAGC-FLAG-1-4X-023	84,090	84,090
<b>United States Bureau of Justice Assistance</b>				
COPS Grant Program				
Bulletproof Vests	16.71	2005-CK-WX-0512	236,858	16,099
	16.607		11,653	11,653
Bureau of Justice Assistance	16.804	2009-DJ-BX-1110	19,962	19,858
ARRA-Flagler County Law Enforcement Equipment Grant	16.804	2009-SB-B9-1720	81,731	48,762
				<u>68,620</u>
Passed Through the Florida Department of Law Enforcement				
ARRA-Drug Court Enhancement	16.803	2010-ARRC-FLAG-3W7-159	75,000	18,252
ARRA-Mental Health Diversion	16.803	2010-ARRC-FLAG-5W7-155	100,000	91,339
ARRA-Flagler County Drug Diversion	16.803	2010-ARRC-FLAG-2W7-043	168,326	168,326
				<u>277,917</u>
Passed Through the Florida Office of the Attorney General				
Victims of Crime Act	16.575	V9052	59,591	51,766

**FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

FEDERAL/STATE AGENCY/ PASS-THROUGH ENTITY FEDERAL PROGRAM/ STATE PROJECT TITLE	CFDA/CFSA NUMBER	CONTRACT/ GRANT NUMBER	PROGRAM/ PROJECT AWARDS	PROGRAM/ PROJECT EXPENDITURES
<b>United States Office of the President</b>				
Passed Through the Office of National Drug Control and Policy Passed Through the SJWMD High Intensity Drug Traffic	95.001	N/A	\$ 12,655	\$ 12,655
<b>Department of Housing and Urban Development</b>				
Disaster Recovery Program	14.228	69-4209-10-1752	870,469	2,012
Passed Through the Florida Department Children and Family Services Homeless Prevention and rapid re-housing grant	14.257	NFZR1	425,001	358,232
<b>Federal Highway Administration</b>				
Passed Through the Florida Department of Transportation CR 305 Bridges	20.205	AOW79; 40746315801	6,325,570	1,807,950
JPA Interchange Justification Report for I-95 & Matanzas Woods Overpass	20.205	AOY21;41195921801	279,800	56,367
Design of SR 5/US1 Sidewalk	20.205	AP555; 41746723801	100,000	20,703
Design of Lehigh Trailhead	20.205	APN03; 41820713801	100,000	25,379
ARRA-Lehigh Trails Segment III	20.205	APN59/60; 41076925801/02	859,595	743,187
ARRA-CR 305 Bridges	20.205	APP56; 42626415801	804,600	603,598
ARRA-CR 305 Bridges	20.205	APU89; 40746345801	908,626	-
ARRA-SR A1A National Scenic Byways	20.205	AQ170; 42437235801	250,000	-
ARRA-Princess Place Styles Creek Bridge	20.205	AQ170; 42868315801	648,000	-
				<u>3,257,184</u>
<b>United States Department of Agriculture</b>				
ARRA-Forestation Improvement	10.664	FDACS 015972	18,605	-
Emergency Watershed Program	10.923	69-4209-10-1752	757,500	598,612
<b>General Services Administration</b>				
Passed Through Florida Department of State Voter Education	90.401	2009	15,934	4,027
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 16,495,747</u>	<u>\$ 6,153,576</u>

**FLAGLER COUNTY, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

FEDERAL/STATE AGENCY/ PASS-THROUGH ENTITY FEDERAL PROGRAM/ STATE PROJECT TITLE	CFDA/CFSA NUMBER	CONTRACT/ GRANT NUMBER	PROGRAM/ PROJECT AWARDS	PROGRAM/ PROJECT EXPENDITURES
<b>STATE AWARDS</b>				
<b>Florida Department of Transportation</b>				
Construction of Air Traffic Control Phase II	55.004	AP719;40492029041	\$ 2,400,000	\$ 30,184
Airfield Marking	55.004	APF10;40945519401	135,000	8,370
Design and Construction of Perimeter Fencing	55.004	APG32; 41851719401	270,000	50,760
Airport Security Surveillance Upgrades Phase I Design and Construction of	55.004	APY28; 41851729401	47,000	46,920
Access Road	55.004	APY29; 40945419401	500,000	-
				<u>136,234</u>
SR 100 Sidewalks from Belle Terre to Bulldog Drive	55.029	APW44; 4228224138/ 5801 and 48224238/5801	2,062,000	-
CR 305 Widening and Resurfacing	55.009	APW59; 42435135801	1,052,632	-
				<u>-</u>
SR 100 Sidewalks from Belle Terre to Bulldog Drive	N/A	APJ02;426537138/581	680,000	72,715
Turn Lane at US1 and Royal Palms Environmental Assessment for Near Term Capital Improvement Projects and Air Traffic Control Tower	N/A	APJ01; 426536138/581	1,000,000	165,621
	N/A	AOV22;40496719401	8,750	54
<b>Florida Commission for the Transportation Disadvantaged</b>				
Trip and Equipment	55.001	APZ67; 24852018401	181,267	38,939
Trip and Equipment	55.001	APK45;24852018401- 24852038401	183,765	137,754
				<u>176,693</u>
<b>Department of Elder Affairs</b>				
Passed Through the Northeast Florida Agency on Aging Community Care for the Elderly	65.010	C009FCBCC	146,493	112,498
Community Care for the Elderly	65.010	C010FCBCC	118,813	34,951
				<u>147,449</u>
Home Care for the Elderly	65.001	H009FCBCC	9,730	701
Home Care for the Elderly	65.001	H010FCBCC	12,571	397
				<u>1,098</u>

**FLAGLER COUNTY, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

FEDERAL/STATE AGENCY/ PASS-THROUGH ENTITY FEDERAL PROGRAM/ STATE PROJECT TITLE	CFDA/CFSA NUMBER	CONTRACT/ GRANT NUMBER	PROGRAM/ PROJECT AWARDS	PROGRAM/ PROJECT EXPENDITURES
<b>Department of Elder Affairs</b>				
Passed Through the Northeast Florida Agency on Aging				
Alzheimer's Disease Initiative	65.004	Z009FCBCC	48,177	36,976
Alzheimer's Disease Initiative	65.004	Z010FCBCC	48,177	15,548
				<u>52,524</u>
<b>Department of Agriculture and Consumer Services</b>				
Mosquito Control Program	42.003	14986	39,000	8,026
<b>Department of Community Affairs</b>				
Update Hazardous Materials	52.023	10CP-04-04-28-01-188	2,279	1,200
EMPA Base Grant	52.008	10BG-25-04-28-01-106	126,707	101,561
<b>Department of Health</b>				
Emergency Management Grant	64.005	C8018	20,155	-
Emergency Management Grant	64.005	C9018	15,418	13,648
				<u>13,648</u>
<b>Division of Library and Information Systems</b>				
State Aid to Libraries	45.03	10-ST-12	26,379	26,379
<b>Department of Environmental Protection</b>				
Small County Consolidated Grant	37.012	007SC	78,787	77,207
Old Dixie Community Park	37.017	A8014	186,400	124,794
Beverly Beach Wastewater Facilities	37.039	LP6811	750,000	17,000
<b>Department of Management Services</b>				
E-911 Equipment Replacement	72.002	N/A	345,477	345,477
E-911 Expansion to Microwave Link	72.002	S2-09-03-38	3,348	3,348
				<u>348,825</u>
<b>Florida Fish and Wildlife Conservation Community/FL Boating Improvement Program</b>				
Bull Creek Fish Camp Boat Ramp	77.006	FWC08066	92,500	43,266
<b>Florida Housing Finance Corporation</b>				
State Housing Initiatives				
Partnership Program	52.901	N/A	408,374	408,374
			<u>\$10,999,199</u>	<u>\$ 1,922,668</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE</b>			<u>\$27,494,946</u>	<u>\$ 8,076,244</u>

**FLAGLER COUNTY, FLORIDA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**(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, 2010, the following amounts were provided to subrecipients outside of Flagler County, Florida from each Federal Program:

Name of Federal Program:	CFDA		Amount
ARRA-Drug Court Enhancement Grant	16.803	\$	18,252
ARRA-SMC Mental Health Diversion Program Grant	16.803		91,339

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A-133**

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 Department of Financial Services' *State Projects Compliance Supplement*, that could have a direct and material effect on its major federal programs and state projects for the year ended September 30, 2010. Flagler County, Florida's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state projects is the responsibility of Flagler County, Florida's management. Our responsibility is to express an opinion on Flagler County, Florida's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General, State of Florida. Those standards, OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, State of Florida, 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 could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2010.

## Internal Control Over Compliance

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

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

May 18, 2011  
Melbourne, Florida

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

**FLAGLER COUNTY, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2010**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

Financial Statements

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

Federal Awards

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

Identification of major programs Federal:

<u>CFDA Number</u>	<u>Name of Program</u>
10.923	Emergency Watershed Protection Program
14.257	Homelessness Prevention Program
20.205	Highway Planning and Construction
20.509	Nonurbanized Area Formula Grant
93.044, 93.045, 93.053, 93.705 & 93.707	Department of Health and Human Services Aging Cluster

**FLAGLER COUNTY, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2010**

**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>
37.017	Recreation Development Assistance Program Old Dixie Community Park
52.901	State Housing Initiatives Partnership Program
72.002	E911 State Grant Program

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None reported.

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

None reported.

**SECTION IV - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

None reported.

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

Board of County Commissioners  
Flagler County, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Flagler County, Florida (the "County"), as of and for the year ended September 30, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 18, 2011. 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 County'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 County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 County'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 the County, in a separate letter dated May 18, 2011.

Flagler County's response to the matters identified in our audit are described in the accompanying "Management Response." 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, Board of County Commissioners, others within the entity, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

May 18, 2011  
Melbourne, Florida

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

## MANAGEMENT LETTER

To the Board of County Commissioners  
Flagler County, Florida

We have audited the financial statements of the Flagler County, Florida (the "County"), as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated May 18, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditors' Report on Compliance with Requirements Applicable to each Major Federal Program and State Project and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated May 18 2011, should be considered in conjunction with this management letter.

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

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. See the attachment to this letter titled "Management Recommendations" for the status of findings 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 complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3, Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an 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.

- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. 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 financial statements. The Board was established by Chapter 7 of the Florida Statutes. There were no component units related to the County at September 30, 2010.
- Section 10.554(1)(i)7.a., *Rules of the Auditor General*, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Flagler County, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., *Rules of the Auditor General*, requires that we determine whether the annual financial report for the Flagler County, Florida for the fiscal year ended September 30, 2009, 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, 2010. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), *Rules of the Auditor General*, we applied financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

May 18, 2011  
Melbourne, Florida

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

**FLAGLER COUNTY, FLORIDA  
MANAGEMENT RECOMMENDATIONS  
SEPTEMBER 30, 2010**

***Prior Year Comments***

09-01     State Court Report Statutory Increase Process

Criteria: According to Florida Statutes Section 29.008(4)(a), for county funding of court-related functions states expenditures for fiscal year 2009 in Facility Cost including lease and rent expense, maintenance, utilities, and security, must increase by 1.5 percent over the prior fiscal year balances. Additionally, Existing Radio Systems, Legal Aid programs, and Alternative Sanction Coordinators must also increase by 1.5 percent.

Condition: Of the seven sections listed above, six were not in compliance with Florida Statutes.

Cause: Although a budget is created each year for the County related-court funding; there is not a monitoring system in place that will verify that the requirements are being met.

Effect: Flagler County is not in compliance with Section 29.008(4)(a) of the Florida Statutes.

Recommendations: We recommend the County implement a process to verify that all expenditures are meeting the requirements set forth in the related Florida Statutes for funding court-related functions.

Status: As of September 30, 2010, of the seven sections listed in the criteria, six were not in compliance with Florida Statutes.

***Current Year Comments***

There were no current year recommendations

# Administration

1769 E. Moody Blvd Bldg 2  
Bunnell, FL 32110



[www.flaglercounty.org](http://www.flaglercounty.org)

Phone: (386)313-4001

Fax: (386)313-4101

May 18, 2011

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 recommendation 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, 2010. 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 and status in full, followed by our response.

**Audit  
Report  
Finding  
Number**

**09-01**

## **State Court Report Statutory Increase Process**

**Recommendation:** We recommend the County implement a process to verify that all expenditures are meeting the requirements set forth in the related Florida Statutes for funding court-related functions.

**Status:** As of September 30, 2010, of the seven sections listed in the criteria, six were not in compliance with Florida Statutes.

**Response:** This recommendation, which was originally made by our auditors at the conclusion of the audit for the fiscal year ending September 30, 2009, concerns the provisions of Section 29.008 entitled "County funding of court-related functions" and Section 29.0085 entitled "Annual statement of certain revenues and expenditures". Paragraph (1) of Section 29.0085, Florida Statutes provides in full as follows:

"(1) Each county shall submit annually to the Chief Financial Officer a statement of revenues and expenditures as set forth in this section in the form and manner prescribed by the Chief Financial Officer in consultation with the Legislative Committee on Intergovernmental Relations, provided that such statement identify total county expenditures on each of the services outlined in s. 29.008."

**Audit  
Report  
Finding  
Number**  

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**09-01**

We presume that information included in the annual report required by the provisions of Section 29.0085, Florida Statutes served as the basis of our auditor's conclusion. As noted in Section 29.0085, Florida Statutes, the basis for the required report is the provisions of Section 29.008, Florida Statutes. Specifically, Paragraph (4)(a) of Section 29.008 provides in part as follows:

“(4)(a) The Department of Financial Services shall review county expenditure reports required under s. 29.0085 for the purpose of ensuring that counties fulfill the responsibilities of this section. The department shall compare county fiscal reports to determine if expenditures for the items specified in paragraphs (1)(a)-(h) and subsection (3) have increased by 1.5 percent over the prior county fiscal year.”

Based on the information used as a basis for their recommendation, it appears that our auditor's recommendation deals entirely with the fact that the actual expenditures as reported for fiscal year 2008-09 as compared to actual expenditures for fiscal year 2007-08 and again for fiscal year 2009-10 as compared to fiscal year 2008-09 did not increase by the required 1.5%. Although the auditors commented on expenditures by individual category, we believe that distinction represents an interpretation by the Department of Financial Services and is not supported by the statutory provisions of Section 29.0085(4)(a) set forth above.

Each year, the proposed budget document is prepared by Board of County Commissioners staff utilizing 100% of all known available resources. However, utilization of these resources is, at least partially, guided by the benefitted office. Specifically, Section 29.008(2)(c)2. provides for the submission of a budget for court related costs as follows:

“2. On or before June 1 of each year, the chief judge shall submit to the board of county commissioners a tentative budget request for local requirements for the ensuing fiscal year. The tentative budget must certify a listing of all local requirements and the reasonable and necessary salaries, costs, and expenses for each local requirement. The board of county commissioners may, by resolution, require the certification to be submitted earlier.”

With all of this information as background, the fact is that the Board of County Commissioners, as well as other local officials (and their staffs) are highly sensitized to the current economic climate. Flagler County, as I suspect is the case with most governmental entities, has made enormous strides to reduce the cost of government, and consequently the tax burden on its residents. If being judicious in our use of these resources is worthy of criticism, then I suppose the Board of County Commissioners, their staff, as well as other entities which benefit from the expenditure of these resources will graciously accept that criticism.

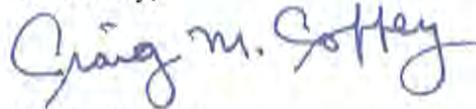
Perhaps in recognition of the economic times we are currently experiencing, the Florida Legislature, during the 2010 Regular Session, temporarily suspended the 1.5% increase mandated by the provisions of Section 29.008(4)(a), Florida Statutes. Specifically, Section 10 of Chapter 2010-153, Florida Statutes, added Paragraph (4)(c) to Section 29.008, which reads in full as follows:

**Audit  
Report  
Finding  
Number**  
**09-01**

"(c) Counties are exempt from all requirements and provisions of paragraph (a) for the 2010-2011 fiscal year. Accordingly, for the 2010-2011 fiscal year, counties shall maintain, but are not required to increase, their expenditures for the items specified in paragraphs (1)(a)-(h) and subsection (3). The requirements described in paragraph (a) shall be reinstated beginning with the 2011-2012 fiscal year. This paragraph expires July 1, 2011."

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

Sincerely,



Craig M. Coffey  
County Administrator  
Flagler County, Florida

**CLERK OF THE CIRCUIT COURT  
FLAGLER COUNTY, FLORIDA  
SPECIAL PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**CLERK OF THE CIRCUIT COURT  
FLAGLER COUNTY, FLORIDA  
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SEPTEMBER 30, 2010**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying special purpose financial statements of each major fund and the aggregate remaining fund information of the Flagler County Clerk of Circuit Court (the "Clerk") as of and for the year ended September 30, 2010, which collectively comprise the Clerk's special purpose financial statements as listed in the table of contents. These special purpose financial statements are the responsibility of the Clerk'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 the 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 described in Note 1, the accompanying 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 respective financial position of the Clerk, at September 30, 2010, 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, 2010, 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 respective financial position of the major fund and the aggregate remaining fund information of the Clerk, as of September 30, 2010, and the respective changes in financial position 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 May 18, 2011, on our consideration of the Clerk'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 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.

Accounting principles generally accepted in the United States of America require that the schedule of funding progress for the retiree health plan, as listed in the table of contents, be presented to supplement the special-purpose financial statements. Such information, although not a part of the special-purpose financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the special-purpose financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the special-purpose financial statements, and other knowledge we obtained during our audit of the special-purpose financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

May 18, 2011  
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, 2010**

	<u>General Fund</u>	<u>Court General</u>	<u>Court Technology</u>	<u>Records Modernization</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 469,872	\$ 169,523	\$ 100,263	\$ 73,862	\$ 813,520
Accounts receivable	206	2,862	1,746	-	4,814
Due from Board of County Commissioners	4,152	-	-	-	4,152
Due from other governments	65,574	17,339	-	-	82,913
Other assets	10,980	-	-	44,651	55,631
<b>TOTAL ASSETS</b>	<u>\$ 550,784</u>	<u>\$ 189,724</u>	<u>\$ 102,009</u>	<u>\$ 118,513</u>	<u>\$ 961,030</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 110,970	\$ 37,052	\$ 24,946	\$ 24	\$ 172,992
Due to Board of County Commissioners	102,072	-	-	-	102,072
Due to other governments	165,763	39,731	-	-	205,494
Deferred revenue	57,648	68,286	-	-	125,934
Deposits	114,331	-	-	-	114,331
<b>TOTAL LIABILITIES</b>	<u>550,784</u>	<u>145,069</u>	<u>24,946</u>	<u>24</u>	<u>720,823</u>
<b>FUND BALANCES</b>					
Unreserved-undesignated	<u>-</u>	<u>44,655</u>	<u>77,063</u>	<u>118,489</u>	<u>240,207</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 550,784</u>	<u>\$ 189,724</u>	<u>\$ 102,009</u>	<u>\$ 118,513</u>	<u>\$ 961,030</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, 2010**

	<u>General Fund</u>	<u>Court General</u>	<u>Court Technology</u>	<u>Records Modernization</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Intergovernmental	\$ -	\$ 1,654,237	\$ -	\$ -	\$ 1,654,237
Charges for services	505,168	-	148,331	52,945	706,444
Fines and forfeitures	-	-	52,014	-	52,014
Miscellaneous revenue	5,790	-	9	5	5,804
<b>TOTAL REVENUES</b>	<u>510,958</u>	<u>1,654,237</u>	<u>200,354</u>	<u>52,950</u>	<u>2,418,499</u>
<b>EXPENDITURES</b>					
Current					
General government					
Personal services	1,205,514	-	-	-	1,205,514
Operating expenses	199,534	-	-	52,042	251,576
Capital outlay	17,333	-	-	-	17,333
Court related					
Personal services	-	1,311,286	39,321	-	1,350,607
Operating expenses	23,169	163,736	113,216	-	300,121
Capital outlay	-	1,120	181,456	-	182,576
<b>TOTAL EXPENDITURES</b>	<u>1,445,550</u>	<u>1,476,142</u>	<u>333,993</u>	<u>52,042</u>	<u>3,307,727</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(934,592)</u>	<u>178,095</u>	<u>(133,639)</u>	<u>908</u>	<u>(889,228)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in-Board of County Commissioners	991,222	-	-	-	991,222
Transfers in-Funds	-	39,731	-	-	39,731
Reversion to other Governments	-	(193,029)	-	-	(193,029)
Reversion to Board of County Commissioners	(33,984)	-	-	-	(33,984)
Transfers out-Funds	(22,646)	-	(17,085)	-	(39,731)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>934,592</u>	<u>(153,298)</u>	<u>(17,085)</u>	<u>-</u>	<u>764,209</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	24,797	(150,724)	908	(125,019)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	-	19,858	227,787	117,581	365,226
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ -</u>	<u>\$ 44,655</u>	<u>\$ 77,063</u>	<u>\$ 118,489</u>	<u>\$ 240,207</u>

The accompanying notes are an integral part of the financial statements

**CLERK OF THE CIRCUIT COURT  
FLAGLER COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET and ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 594,372	\$ 594,372	\$ 505,168	\$ (89,204)
Miscellaneous revenue	6,000	6,000	5,790	(210)
<b>TOTAL REVENUES</b>	<u>600,372</u>	<u>600,372</u>	<u>510,958</u>	<u>(89,414)</u>
<b>EXPENDITURES</b>				
Current				
General government				
Personal services	1,306,366	1,285,366	1,205,514	79,852
Operating expenses	234,502	212,678	199,534	13,144
Capital outlay	726	17,650	17,333	317
Court related				
Operating Expenses	25,000	23,200	23,169	31
<b>TOTAL EXPENDITURES</b>	<u>1,566,594</u>	<u>1,538,894</u>	<u>1,445,550</u>	<u>93,344</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(966,222)</u>	<u>(938,522)</u>	<u>(934,592)</u>	<u>3,930</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in-Board of County Commissioners	966,222	991,222	991,222	-
Reversion to Board of County Commissioners	-	(30,000)	(33,984)	(3,984)
Transfers out-Funds	-	(22,700)	(22,646)	54
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>966,222</u>	<u>938,522</u>	<u>934,592</u>	<u>(3,930)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-
<b>FUND BALANCES, BEGINNING OF YEAR</b>	-	-	-	-
<b>FUND BALANCES, END OF YEAR</b>	<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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget – Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 1,387,875	\$ 1,654,160	\$ 1,654,237	\$ 77
<b>TOTAL REVENUES</b>	<u>1,387,875</u>	<u>1,654,160</u>	<u>1,654,237</u>	<u>77</u>
<b>EXPENDITURES</b>				
Current				
Court related				
Personal services	1,081,938	1,324,928	1,311,286	13,642
Operating expenses	127,711	174,734	163,736	10,998
Capital outlay	-	1,200	1,120	80
<b>TOTAL EXPENDITURES</b>	<u>1,209,649</u>	<u>1,500,862</u>	<u>1,476,142</u>	<u>24,720</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>178,226</u>	<u>153,298</u>	<u>178,095</u>	<u>24,797</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in-Funds	-	-	39,731	39,731
Reversion to other governments	(178,226)	(153,298)	(193,029)	(39,731)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(178,226)</u>	<u>(153,298)</u>	<u>(153,298)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	24,797	24,797
<b>FUND BALANCES, BEGINNING OF YEAR</b>	-	-	19,858	19,858
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,655</u>	<u>\$ 44,655</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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget – Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services	\$ 175,000	\$ 175,000	\$ 148,331	\$ (26,669)
Fines and forfeitures	-	52,000	52,014	14
Miscellaneous revenue	500	500	9	(491)
<b>TOTAL REVENUES</b>	<u>175,500</u>	<u>227,500</u>	<u>200,354</u>	<u>(27,146)</u>
<b>EXPENDITURES</b>				
Current				
Court Related				
Personal services	37,402	37,402	39,321	(1,919)
Operating expenses	87,720	95,091	113,216	(18,125)
Capital outlay	290,500	303,800	181,456	122,344
<b>TOTAL EXPENDITURES</b>	<u>415,622</u>	<u>436,293</u>	<u>333,993</u>	<u>102,300</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(240,122)</u>	<u>(208,793)</u>	<u>(133,639)</u>	<u>75,154</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out-Funds	-	(17,085)	(17,085)	-
<b>NET CHANGE IN FUND BALANCE</b>	(240,122)	(225,878)	(150,724)	75,154
<b>FUND BALANCES, BEGINNING OF YEAR</b>	227,787	227,787	227,787	-
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ (12,335)</u>	<u>\$ 1,909</u>	<u>\$ 77,063</u>	<u>\$ 75,154</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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget – Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services	\$ 70,000	\$ 53,000	\$ 52,945	\$ (55)
Miscellaneous revenue	200	200	5	(195)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL REVENUES</b>	<u>70,200</u>	<u>53,200</u>	<u>52,950</u>	<u>(250)</u>
<b>EXPENDITURES</b>				
Current				
General government				
Operating expenses	57,042	52,242	52,042	200
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL EXPENDITURES</b>	<u>57,042</u>	<u>52,242</u>	<u>52,042</u>	<u>200</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<hr/> <u>13,158</u>	<hr/> <u>958</u>	<hr/> <u>908</u>	<hr/> <u>(50)</u>
<b>NET CHANGE IN FUND BALANCE</b>	13,158	958	908	(50)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	117,581	117,581	117,581	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 130,739</u>	<u>\$ 118,539</u>	<u>\$ 118,489</u>	<u>\$ (50)</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, 2010**

		<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$	1,880,820
Due from other funds		1,093
Due from other governments		20
<hr/>		
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>1,881,933</u></b>
<b>LIABILITIES</b>		
Accounts payable	\$	13,795
Due to other funds		1,093
Due to Board of County Commissioners		37,332
Due to other entities of Flagler County		60
Due to other governments		388,413
Deposits		1,441,240
<hr/>		
<b>TOTAL LIABILITIES</b>	<b>\$</b>	<b><u>1,881,933</u></b>

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, 2010**

**(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, 2010, the Clerk reported the General, Court General, Court Technology and Records Modernization as major funds.

- (c) Income Taxes** – The Clerk qualifies as a tax-exempt governmental entity, accordingly, no provision for Federal or State income tax is required.

**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:

**CLERK OF THE CIRCUIT COURT  
FLAGLER COUNTY, FLORIDA  
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

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

**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.

**Court General** – The Court General Fund of the Clerk is used to account for appropriations received from the State of Florida. Said resources are to be used specifically as noted in FS 28.35(3)(a).

**Court Technology** – The Court Technology Fund of the Clerk is used to account for certain revenues as noted in FS 28.24 and FS 28.37(2) that are to be used exclusively for court related functions in accordance with FS 29.008 and FS 28.37(2) respectively.

**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.

The cumulative appropriation in excess of the amount needed to meet approved court related expenditures of the Court General Fund is remitted to the Florida Department of Revenue after June 30 for the preceding state 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.

**CLERK OF THE CIRCUIT COURT  
FLAGLER COUNTY, FLORIDA  
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

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

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.

**(d) 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.

**(e) Capital Assets** – Refer to Note 1(f) in the County-wide Financial Statements.

**(f) 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.

**(g) 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.

**CLERK OF THE CIRCUIT COURT  
FLAGLER COUNTY, FLORIDA  
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**(3) Changes in Capital Assets:**

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

	<b>Balance October 1, 2009</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance September 30, 2010</b>
Governmental activities				
Equipment	\$ 1,822,474	\$ 196,522	\$ 29,408	\$ 1,989,588
Less: accumulated depreciation	1,666,853	62,637	29,408	1,700,082
Total governmental activities capital assets, net	<u>\$ 155,621</u>	<u>\$ 133,885</u>	<u>\$ -</u>	<u>\$ 289,506</u>

For the year ended September 30, 2010, depreciation expense of \$62,637 was charged to the general government function in the basic financial statements of Flagler County, Florida.

**(4) Operating Leases:**

The Clerk has five operating leases for office equipment. The leases expire at varying dates from June 1, 2011 to November 1, 2014. Monthly payments range from \$93 to \$1,785. Lease expense for the year ended September 30, 2010 was \$26,614. The future minimum lease payments for the next five years are as follows:

Year Ending September 30,	Amount
2011	\$ 36,880
2012	27,116
2013	19,272
2014	1,112
2015	93
	<u>\$ 84,473</u>

**(5) Changes in Long-Term Liabilities:**

The Clerk estimates \$194,210 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:

	<b>Balance October 1, 2009</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance September 30, 2010</b>
Compensated absences	\$ 190,157	\$ 184,915	\$ 180,862	\$ 194,210

**CLERK OF THE CIRCUIT COURT  
FLAGLER COUNTY, FLORIDA  
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**(6) 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:

	<u>July 1, 2009 - June 30, 2010</u>	<u>July 1, 2010 - September 30, 2010</u>
Regular Employees	9.85%	10.77%
Elected County Officials	16.53%	18.64%
Senior Management	13.12%	14.57%
Deferred Retirement Option Programs Employees	10.91%	12.25%

The contribution rate of current year covered payroll is 11.31 percent. For the years ended September 30, 2010, 2009, and 2008, total contributions were \$204,112, \$222,310, and \$239,689, 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.

**CLERK OF THE CIRCUIT COURT  
FLAGLER COUNTY, FLORIDA  
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**(6) Pension Plans:** (Continued)

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, 2010, 19 employees of the Clerk were participating in the Investment Plan and the remaining employees were participating in the Pension Plan.

**(7) Deposits:**

At fiscal year end, the carrying amount of the Clerk’s deposits and bank balances were \$2,694,340 and \$2,830,952, 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.

**(8) 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, 2010, interfund balances consisted of:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Agency funds:		
Court Bond	\$ 1,093	\$ -
Child Support	-	1,093
Totals	<u>\$ 1,093</u>	<u>\$ 1,093</u>

**CLERK OF THE CIRCUIT COURT  
FLAGLER COUNTY, FLORIDA  
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

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

At September 30, 2010, the amounts due from/to entities of Flagler County consist of the following:

<u>General Fund</u>		
Board of County Commissioners	\$	<u>4,152</u>
<u>General Fund</u>		
Board of County Commissioners		102,072
<u>Agency Funds</u>		
Board of County Commissioners		37,332
Due to entities of Flagler County	\$	<u>139,404</u>

There were \$35,682 of excess revenues reverted to the Board of County Commissioners.

**(10) 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 \$417,487 to the Board for insurance coverage. Information regarding the program's coverage, self-insurance reserves and program administration can be found in the basic financial statements of the Flagler County Board of County Commissioners for the year ended September 30, 2010.

**(11) Commitments and Contingencies:**

A termination of benefits contract is in existence at September 30, 2010 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, 2010, no liability has been recorded.

**CLERK OF THE CIRCUIT COURT  
FLAGLER COUNTY, FLORIDA  
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**(12) Other Postemployment Benefits:**

Refer to the Countywide Financial Statements.

The following table shows the actuarial determined components for the Clerk employee's portion of Flagler County's obligation as of September 30, 2010 based on the current plan provisions:

Annual required contribution	\$ 24,270
Interest on net OPEB contribution	584
Adjustment to annual required contribution	<u>(484)</u>
Annual OPEB cost (expense)	24,370
Contributions made	<u>4,954</u>
Increase in the net OPEB obligation	19,416
Net OPEB obligation - beginning of year	<u>27,058</u>
NET OPEB obligation - end of year	<u><u>\$ 46,474</u></u>

No trust or agency fund has been established by Flagler County for the plan; there were no adjustments to the annual required contribution or interest earnings.

The Clerks OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for the current and previous two fiscal years are as follows:

<u>Year Ending September 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 24,370	20.30%	\$ 46,474
2009	26,466	60.00%	27,058
2008	20,218	18.50%	16,473

Funded Status and Funding Progress – As of September 30, 2009, the most recent actuarial valuation date, the plan was 0 percent funded. The accrued liability of benefits was \$184,908 and the actuarial value of the assets was 0 percent resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$184,908. The covered payroll was \$2,285,027 and UAAL as a Percentage of Covered Payroll was 8.1%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**CLERK OF THE CIRCUIT COURT  
FLAGLER COUNTY, FLORIDA  
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**(13) Subsequent events:**

**a) GASB 54 – Fund Balance Reporting on Governmental Type Fund Type Definitions**

In March 2009, the GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (“GASB 54”), to address issues related to how fund balance is reported. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds. Governments are required to implement GASB 54 in their financial statements for the periods beginning after June 15, 2010. As of the date of the auditors’ report, the effects of the new pronouncement are not quantifiable for disclosure purposes.

**b) Evaluating Subsequent Events**

The Clerk has evaluated subsequent events through the date of the auditors’ report.

**CLERK OF THE CIRCUIT COURT  
FLAGLER COUNTY, FLORIDA  
SCHEDULE OF FUNDING PROGRESS OF OTHER POSTEMPLOYMENT BENEFITS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
10/1/2007	\$ -	\$ 127,662	\$ 127,662	-	2,162,160	5.90%
9/30/2009	\$ -	\$ 184,908	\$ 184,908	-	2,285,027	8.10%

Funding progress information for the Clerk for 2010 and 2007 is unavailable because the County implemented the requirement of GASB Statement No. 45 in 2008, and is only required to update the actuarial study every other year.

**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**

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

We have audited the special-purpose financial statements of the major fund and the aggregate remaining fund information of the Clerk of the Circuit Court of Flagler County, Florida (the "Clerk"), as of and for the year ended September 30, 2010, which collectively comprise the Clerk's special-purpose financial statements and have issued our report thereon dated May 18, 2011. 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 Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the special-purpose financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clerk's internal control over financial reporting.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 Clerk'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*.

We noted certain matters that we reported to management of the Clerk, in a separate letter dated May 18, 2011.

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

May 18, 2011  
Melbourne, Florida

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

## MANAGEMENT LETTER

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

We have audited the special-purpose financial statements of the Clerk of the Circuit Courts of Flagler County, Florida (the "Clerk"), as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated May 18, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in that report, which is dated May 18 2011, should be considered in conjunction with this management letter.

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

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no significant findings and recommendations made in the preceding annual financial audit.
- 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 complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3, Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, 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, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the special-purpose financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. 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 was established by the Constitution of the State of Florida, Article VIII, Section I(d). There were no component units related to the Clerk.
- Section 10.554(1)(i)8., Rules of the Auditor General, requires a statement as to whether or not the clerk of the courts complied with the requirements of Section 28.35 and 28.36, Florida Statutes. In connection with our audit, we determined that the Clerk complied with standards pursuant to Section 28.35 and 28.36, Florida Statutes.

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

May 18, 2011  
Melbourne, Florida

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

**SHERIFF**  
**FLAGLER COUNTY, FLORIDA**  
**SPECIAL-PURPOSE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

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## INDEPENDENT AUDITORS' REPORT

Honorable Donald W. Fleming  
Flagler County Sheriff's Office  
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 Sheriff's Office (the "Sheriff") as of and for the year ended September 30, 2010, which collectively comprise the Sheriff's basic financial statements as listed in the table of contents. These special-purpose financial statements are the responsibility of the Sheriff'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 described in Note 1, the accompanying 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 respective financial position of the Sheriff at September 30, 2010, 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, 2010, 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 respective financial position of the major fund and the aggregate remaining fund information of the Sheriff, as of September 30, 2010, 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 22, 2011 on our consideration of the Sheriff'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.

Accounting principles generally accepted in the United States of America require that the schedule of funding progress of other postemployment benefits be presented to supplement the special-purpose financial statements. Such information, although not a part of the special-purpose financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the special-purpose financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

February 22, 2011  
Melbourne, Florida

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

**FLAGLER COUNTY SHERIFF'S OFFICE  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2010**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 656,277	\$ 45,374	\$ 701,651
Accounts receivable	20,323	-	20,323
Deposits receivable	1,600	-	1,600
Due from other governments	51,801	-	51,801
<b>TOTAL ASSETS</b>	<b>\$ 730,001</b>	<b>\$ 45,374</b>	<b>\$ 775,375</b>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 69,545	\$ -	\$ 69,545
Accrued wages	344,413	-	344,413
Due to other governments	67,805	-	67,805
Due to Board of County Commissioners	248,233	-	248,233
Deferred revenue	5	23,445	23,450
<b>TOTAL LIABILITIES</b>	<b>730,001</b>	<b>23,445</b>	<b>753,446</b>
 <b>FUND BALANCES:</b>			
Unreserved-undesignated:			
Special revenue funds	-	21,929	21,929
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>21,929</b>	<b>21,929</b>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	 <b>\$ 730,001</b>	 <b>\$ 45,374</b>	 <b>\$ 775,375</b>

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

**FLAGLER COUNTY SHERIFF'S OFFICE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
Charges for services	\$ 3,156,117	\$ 14,250	\$ 3,170,367
Intergovernmental	541,034	-	541,034
Miscellaneous revenue	218,660	49,730	268,390
Interest	243	-	243
<b>TOTAL REVENUES</b>	<u>3,916,054</u>	<u>63,980</u>	<u>3,980,034</u>
<b>EXPENDITURES:</b>			
Current:			
Court related:			
Personal services	586,264	-	586,264
Operating expenses	30,972	-	30,972
Capital outlay	24,085	-	24,085
Public safety:			
Personal services	17,994,828	-	17,994,828
Operating expenses	3,377,932	80,721	3,458,653
Capital outlay	1,436,859	-	1,436,859
Debt service:			
Principal	385,670	-	385,670
Interest	10,223	-	10,223
<b>TOTAL EXPENDITURES</b>	<u>23,846,833</u>	<u>80,721</u>	<u>23,927,554</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(19,930,779)</u>	<u>(16,741)</u>	<u>(19,947,520)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfer in - Board of County Commissioners	19,554,448	-	19,554,448
Sale of capital assets	56,069	-	56,069
Reversion to Board of County Commissioners	(91,738)	-	(91,738)
Long term debt issued - capital leases	412,000	-	412,000
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>19,930,779</u>	<u>-</u>	<u>19,930,779</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	(16,741)	(16,741)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>-</u>	<u>38,670</u>	<u>38,670</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ -</u>	<u>\$ 21,929</u>	<u>\$ 21,929</u>

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

**FLAGLER COUNTY SHERIFF'S OFFICE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Charges for services	\$ 3,027,661	\$ 3,156,118	\$ 3,156,117	\$ (1)
Intergovernmental	-	540,218	541,034	816
Miscellaneous revenue	-	218,668	218,660	(8)
Interest	-	243	243	-
<b>TOTAL REVENUES</b>	<u>3,027,661</u>	<u>3,915,247</u>	<u>3,916,054</u>	<u>807</u>
<b>EXPENDITURES:</b>				
Current:				
Court related:				
Personal services	631,628	599,681	586,264	13,417
Operating expenses	23,898	31,760	30,972	788
Capital outlay	-	24,085	24,085	-
Public safety:				
Personal services	17,908,585	18,007,672	17,994,828	12,844
Operating expenses	3,323,890	3,455,764	3,377,932	77,832
Capital outlay	69,000	1,010,909	1,436,859	(425,950)
Debt service:				
Principal and interest	600,000	395,894	395,893	1
<b>TOTAL EXPENDITURES</b>	<u>22,557,001</u>	<u>23,525,765</u>	<u>23,846,833</u>	<u>(321,068)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(19,529,340)</u>	<u>(19,610,518)</u>	<u>(19,930,779)</u>	<u>(320,261)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in - Board of County Commissioners	19,529,340	19,554,449	19,554,448	(1)
Sale of capital assets	-	56,069	56,069	-
Reversion to Board of County Commissioners	-	-	(91,738)	(91,738)
Long term debt issued - capital leases	-	-	412,000	412,000
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>19,529,340</u>	<u>19,610,518</u>	<u>19,930,779</u>	<u>320,261</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	-	-
<b>FUND BALANCES, BEGINNING OF YEAR</b>	-	-	-	-
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**FLAGLER COUNTY SHERIFF'S OFFICE  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS  
SEPTEMBER 30, 2010**

	Agency Funds
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 13,091
Due from other governments	13,485
<b>TOTAL ASSETS</b>	<b>\$ 26,576</b>
 <b>LIABILITIES:</b>	
Accounts payable	\$ 270
Due to Board of County Commissioners	13,475
Deposits	12,831
<b>TOTAL LIABILITIES</b>	<b>\$ 26,576</b>

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

**FLAGLER COUNTY SHERIFF'S OFFICE  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

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

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

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

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

As required by generally accepted accounting principles (GAAP), these financial statements present the Sheriff and its component units. The component units represent entities for which the Sheriff is financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Sheriff's operations and, therefore data from these units are combined with data of the Sheriff. The Sheriff's Office personnel serves as the governing body for the Five Point Star Association, Inc. therefore, this component unit is reported as other governmental funds.

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, 2010, the Sheriff reported the General Fund as a major fund.

**FLAGLER COUNTY SHERIFF'S OFFICE  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Governmental Funds**

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

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

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

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

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

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

Additionally, the Sheriff reports the following funds:

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

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

**FLAGLER COUNTY SHERIFF'S OFFICE  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**c) Capital Assets (continued)**

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.

**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 special-purpose financial statements, and the reporting amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**g) Income Taxes** - The Sheriff qualifies as a tax-exempt governmental entity, accordingly, no provision for Federal or State Income tax is required.

**2) BUDGET AND BUDGETARY ACCOUNTING:**

**a) Budgetary Basis of 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 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.

**b) Excess of Expenditures Over Appropriations** – The Sheriff's General Fund total expenditures exceeded its budget by \$321,068. The majority of the over-expenditures are the result of higher than expected capital outlay.

**FLAGLER COUNTY SHERIFF'S OFFICE  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**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, 2009	Additions	Deductions	Balance September 30, 2010
Vehicles and equipment	\$ 8,904,598	\$ 1,461,910	\$ (554,124)	\$ 9,812,384
Accumulated depreciation	(5,837,701)	(1,563,762)	531,287	(6,870,176)
Capital assets, net	<u>\$ 3,066,897</u>	<u>\$ (101,852)</u>	<u>\$ (22,837)</u>	<u>\$ 2,942,208</u>

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

Governmental activities:	
Law enforcement	\$ 1,555,960
Jail (corrections)	7,300
Dispatch	502
Total depreciation expense	<u>\$ 1,563,762</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, 2009	Additions	Deductions	Balance September 30, 2010	Due within one year
Compensated absences	\$ 642,991	\$ 1,221,031	\$ (1,159,104)	\$ 704,918	\$ 704,918
Capital lease obligations	249,865	412,000	(385,670)	276,195	133,598
	<u>\$ 892,856</u>	<u>\$ 1,633,031</u>	<u>\$ (1,544,774)</u>	<u>\$ 981,113</u>	<u>\$ 838,516</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 November 30, 2011. The stated interest rate for this lease is 2.77%. The assets and liability under the capital leases are recorded at the present value of the minimum lease payments.

**FLAGLER COUNTY SHERIFF'S OFFICE  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**4) LONG-TERM LIABILITIES (continued):**

The following is an analysis of fixed assets leased under capital leases as of September 30, 2010:

	Balance September 30, 2010
Vehicles and equipment	\$ 3,179,427
Less: accumulated depreciation	<u>2,269,721</u>
Capital assets, net	<u><u>\$ 909,706</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2010 were as follows:

Year ending September 30,	Amount
2011	\$ 141,103
2012	<u>146,399</u>
	287,502
Less amount representing interest	<u>(11,307)</u>
	<u><u>\$ 276,195</u></u>

**5) OPERATING LEASES:**

The Sheriff has multiple operating leases for both facilities and equipment with maturity dates ranging from monthly to March 31, 2018. Monthly rent expense ranges from \$77 to \$4,686. Rent expense under these leases for the year ended September 30, 2010, was \$209,155. The future minimum lease payments for the remaining terms are as follows:

Year ending September 30,	Amount
2011	\$ 121,977
2012	75,765
2013	65,695
2014	55,521
2015	38,765
2016-2018	<u>101,921</u>
	<u><u>\$ 459,644</u></u>

**FLAGLER COUNTY SHERIFF'S OFFICE  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**6) PENSION PLANS:**

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

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

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

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

	October 1, 2009 - June 30, 2010	July 1, 2010 - September 30, 2010
Regular employees	9.85%	10.77%
Elected county officials	16.53%	18.64%
Senior management	13.12%	14.57%
Special risk employees	20.92%	23.25%
Deferred retirement option program employees	10.91%	12.25%

The contribution rate for the years ended September 30, 2010, 2009 and 2008, covered payroll is 18.64%, 17.93%, 17.44% and total contributions were \$2,357,940, \$2,244,172 and \$2,004,186, respectively. The Sheriff made actual contributions equal to the required contributions each year.

**FLAGLER COUNTY SHERIFF'S OFFICE  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**6) PENSION PLANS (continued):**

**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.

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, 2010, all employees of the Sheriff were participating in the Pension Plan.

**7) DEPOSITS:**

Custodial credit risk - The bank balance of the Flagler County Sheriff's Office deposits were \$1,239,390 at September 30, 2010. The deposits are insured by the FDIC up to \$250,000 per entity. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the organization pursuant to Section 280.08, Florida Statutes.

**8) DUE FROM/TO ENTITIES OF FLAGLER COUNTY:**

At September 30, 2010, the amounts due from/to entities of Flagler County consist of the following:

Due from the Board of County Commissioners	<u>\$ 118,464</u>
Due to the Board of County Commissioners	<u>\$ 380,172</u>

The amount due to the Board of County Commissioners includes the reversion of \$91,738 of excess revenues and other financing sources over expenditures.

**FLAGLER COUNTY SHERIFF'S OFFICE  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**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 \$2,230,721 to the Board for insurance coverage. Information regarding the program's coverage, self-insurance reserves and program administration can be found in the basic financial statements of the Flagler County Board of County Commissioners for the year ended September 30, 2010.

**10) CONTINGENCIES:**

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

**11) POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB")**

Refer to Note 15 in the County-wide Financial Statements.

The following table shows the actuarial determined components for the Sheriff's employee's portion of Flagler County's obligation as of October 1, 2010 based on the current plan provisions:

Annual required contribution	\$ 147,093
Interest on net OPEB contribution	3,538
Adjustment to annual required contribution	<u>(2,935)</u>
Annual OPEB cost (expense)	147,696
Contributions made	<u>30,022</u>
Increase in net OPEB obligation	117,674
Net OPEB obligation - beginning of year	<u>142,520</u>
Net OPEB obligation - end of year	<u><u>\$ 260,194</u></u>

No trust or agency fund has been established by Flagler County for the plan. There were no adjustments to the annual required contribution or interest earnings.

**FLAGLER COUNTY SHERIFF'S OFFICE  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**11) POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB") (continued)**

The Sheriff's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for the current and previous two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
9/30/2010	\$ 147,696	20.3%	\$ 260,194
9/30/2009	\$ 139,403	60.0%	\$ 142,520
9/30/2008	\$ 106,495	18.5%	\$ 86,767

Funded Status and Funding Progress - As of September 30, 2009, the most recent actuarial valuation date, the plan was 0 percent funded. The accrued liability for benefits was \$973,963 and the actuarial value of the assets was 0 percent resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$973,963. The covered payroll was \$12,035,891 and UAAL as a Percentage of Covered Payroll was 8.1%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**12) SUBSEQUENT EVENTS:**

**a) GASB 54 - Fund Balance Reporting and Governmental Fund Type Definitions**

In March 2009, the GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions ("GASB 54"), to address issues related to how fund balance is reported. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds. Governments are required to implement GASB 54 in their financial statements for periods beginning after June 15, 2010. As of the date of the auditor's report, the effects of the new pronouncement are not quantifiable for disclosure purposes.

**b) Evaluating Subsequent Events**

The Sheriff has evaluated subsequent events through February 22, 2011, the date which the financial statements were issued.

**FLAGLER COUNTY SHERIFF'S OFFICE**  
**SCHEDULE OF FUNDING PROGRESS OF OTHER POSTEMPLOYMENT BENEFITS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
10/1/2007	\$ -	\$ 672,431	\$ 672,431	-	\$ 11,493,169	5.9%
9/30/2009	\$ -	\$ 973,963	\$ 973,963	-	\$ 12,035,891	8.1%

\* Funding progress information for the Sheriff for 2010 and 2007 is unavailable because the District implemented the requirement of GASB Statement No. 45 in 2008, and is only required to update the actuarial study every other year.

**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**

Honorable Donald W. Fleming  
Flagler County Sheriff's Office  
Flagler County, Florida

We have audited the special-purpose financial statements of the major fund and aggregate remaining fund information of the Flagler County Sheriff's Office (the "Sheriff"), as of and for the year ended September 30, 2010, which collectively comprise the Sheriff's special-purpose financial statements and have issued our report thereon dated February 22, 2011. 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 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 deficiency in internal control* 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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Current Year Management Recommendations that we consider to be significant deficiencies in internal control over financial reporting at 10-3. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## 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*.

We noted certain matters that we reported to management of the Sheriff, in the accompanying management letter dated February 22, 2011.

The Sheriff's response to matters identified in our audit is described in the accompanying management letter. We did not audit the Sheriff's response, and accordingly, we express no opinion on it.

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

February 22, 2011  
Melbourne, Florida

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

## MANAGEMENT LETTER

Honorable Donald W. Fleming  
Flagler County Sheriff's Office  
Flagler County, Florida

We have audited the special-purpose financial statements of the Flagler County Sheriff's Office (the "Sheriff"), as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated February 22, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters and disclosures in that report, which is dated February 22, 2011, should be considered in conjunction with this management letter.

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

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. 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 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. In connection with our audit, we did not have any such findings.
- 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 occurred, or are likely to have occurred, 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, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) Deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did have recommendations at 10-1 and 10-2.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the special-purpose financial statements. The Sheriff was established by the Constitution of the State of Florida, Article VIII, Section I(d). Five Point Star Association, Inc. is considered a blended component unit of the Flagler County Sheriff's Office.

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

February 22, 2011  
Melbourne, Florida

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

## Current Year Management Recommendations

### 10-1 Travel and Training Per Diem

Criteria: When an employee incurs travel expenses, the Sheriff's policies are to follow Florida Statute 112.061. Per the Statute, an employee must follow the scheduled travel time requirements for each individual meal in order to be reimbursed for the per diem.

Condition: During our testing of a sample of 25, we identified 6 instances of travel per diem reimbursed to employees that didn't meet the time requirements to receive the per diem.

Cause: Employees were being reimbursed dinner per diem for travel that did not extend past 8 PM.

Effect: Employees are not in compliance with the Sheriff's policies.

Auditors' recommendation: We recommend the Sheriff's Office reinforce to all employees the policy relating to the time requirements to receive per diem for each individual meal and any deviation from the policy should be documented and approved by the Sheriff.

### 10-2 Inmate Cash Receipts

Criteria: Proper controls surrounding cash receipts are imperative to prevent errors and misappropriation of funds.

Condition: During observation of the inmate cash receipt reconciling process, we noted that the amount of money received by the Sheriff's Office upon the inmate's booking was altered without approval after the inmate and booking agent had already signed for the amount.

Cause: During the reconciling process of the inmate cash receipts, only one person is counting the money and recording it to the system without getting proper approval for differences.

Effect: Opportunity for theft by the individual recording inmate cash receipts after the inmate and booking agent have already signed for the amount.

Auditors' recommendation: We recommend the Sheriff's Office put a cash receipt procedure in place that includes either two people counting the money when reconciling the amounts to the system or getting proper approval for any differences between the amount signed for and the amount being reconciled.

## Current Year Management Recommendations (continued)

### **10-3 Recording of Capital Lease and Budget Amendments** ***Significant Deficiency***

Criteria: Under the modified accrual basis of accounting, capital leases must be recorded as an expenditure in the first year of the lease. Section 129.07 of the Florida Statutes also states that it is unlawful for an organization to exceed the budgeted appropriations. The budget should be amended within the first 60 days following the fiscal year.

Condition: The Sheriff's Office did not properly record a capital lease for vehicles in the amount of \$412,000 under the modified accrual basis of accounting. Due to not properly recording the capital lease, the Sheriff's Office actual expenditures exceeded the final budgeted appropriations in the amount of \$321,068.

Cause: During the reconciling process of the capital lease, there was not a control in place to ensure proper recording.

Effect: The Sheriff's Office understated its expenditures and they did not amend the budget to reflect the additional expenditures, thus actual expenditures exceeded budgeted appropriations.

Auditors' recommendation: We recommend the Sheriff's Office implement a control procedure to ensure capital leases are properly recorded, and also amend the budget within 60 days, if necessary.



# Flagler County Sheriff's Office

Donald W. Fleming, Sheriff

1001 Justice Lane • Bunnell, Florida 32110

January 10, 2011

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

RE: Response to Fiscal Year 2010 Auditor Recommendations

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 Sheriff's Office for the fiscal year ending September 30, 2010. 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".

## **10-1 Travel and Training Per Diem**

Recommendation: We recommend the Sheriff's Office reinforce to all employees the policy relating to the time requirements to receive per diem for each individual meal and any deviation from the policy should be documented and approved by the Sheriff.

Response: Additional training and a review of Florida Statute 112.061 was accomplished with staff responsible for approving and processing reimbursements for travel and training per diem for reinforcement of policy.

## **10-2 Inmate Cash Receipts**

Recommendation: We recommend the Sheriff's Office put a cash receipt procedure in place that includes either two people counting the money when reconciling the amounts to the system or getting proper approval for any differences between the amounts signed for and the amount being reconciled.

Response: A procedure was immediately put in place to provide for two people counting the funds prior to the inmate's initials that agree to the total. Additionally, anytime there is a discrepancy when reconciling to the system a supervisor will be notified to approve any change to be made.

**10-3 Recording of Capital Lease and Budget Amendments**

Recommendation: We recommend the Sheriff's Office implement a control procedure to ensure capital leases are properly recorded, and also amend the budget within 60 days, if necessary.

Response: A procedure has been put in place to record all capital leases and update the budget to account for the revenue and expenditure once the lease agreement has been signed by the official parties. Additionally, a periodic review of capital leases will be accomplished by the Chief Financial Officer throughout the fiscal year to ensure that this procedure is being followed.

Should you have any further questions or require additional information please contact me or Linda Bolante, Chief Financial Officer for the Sheriff's Office, at 386-586-4830.

Sincerely,



Donald W Fleming  
Sheriff

**TAX COLLECTOR**  
**FLAGLER COUNTY, FLORIDA**  
**SPECIAL-PURPOSE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying special-purpose financial statements of the major fund and the aggregate remaining fund information of the Tax Collector of Flagler County, Florida (the "Tax Collector") as of and for the year ended September 30, 2010, as listed in the table of contents. These special-purpose financial statements are the responsibility of the Tax Collector'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, the *Rules of the Auditor General*, State of Florida, and present only the financial position of the Tax Collector at September 30, 2010, 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, 2010, 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 respective financial position of the major fund and the aggregate remaining fund information of the Tax Collector, as of September 30, 2010, 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 May 18, 2011, on our consideration of the Tax Collector'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.

Accounting principles generally accepted in the United States of America require that the schedule of funding progress of other postemployment benefits be presented to supplement the special-purpose financial statements. Such information, although not a part of the special-purpose financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the special-purpose financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

May 18, 2011  
Melbourne, Florida

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

**TAX COLLECTOR  
FLAGLER COUNTY, FLORIDA  
BALANCE SHEET - GOVERNMENTAL FUND  
SEPTEMBER 30, 2010**

	General Fund
<b>ASSETS</b>	
Cash	\$ 1,752,202
Due from Agency Fund	29,580
Accounts receivable	19
Due from other governments	1,020
<b>TOTAL ASSETS</b>	<b>\$ 1,782,821</b>
 <b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accrued liabilities	\$ 58,134
Due to Board of County Commissioners	1,612,363
Due to other governments	112,324
<b>TOTAL LIABILITIES</b>	<b>1,782,821</b>
Fund balance:	
Unreserved - undesignated	-
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,782,821</b>

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, 2010**

	General Fund
<b>REVENUES</b>	
Charges for services	\$ 3,723,909
Miscellaneous revenue	4,761
<b>TOTAL REVENUES</b>	3,728,670
 <b>EXPENDITURES</b>	
Current:	
General government:	
Personal services	1,697,794
Operating expenses	411,889
Capital outlay	6,605
<b>TOTAL EXPENDITURES</b>	2,116,288
 <b>EXCESS OF REVENUES OVER EXPENDITURES</b>	1,612,382
 <b>OTHER FINANCING USES:</b>	
Reversion to Board of County Commissioners	(1,612,382)
 <b>NET CHANGE IN FUND BALANCE</b>	-
 <b>FUND BALANCE, BEGINNING OF YEAR</b>	-
 <b>FUND BALANCE, END OF YEAR</b>	\$ -

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, 2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Charges for services	\$ 3,435,995	\$ 3,470,995	\$ 3,723,909	\$ 252,914
Miscellaneous revenue	-	-	4,761	4,761
<b>TOTAL REVENUES</b>	<u>3,435,995</u>	<u>3,470,995</u>	<u>3,728,670</u>	<u>257,675</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
Personal services	1,776,573	1,771,040	1,697,794	73,246
Operating expenses	354,422	389,422	411,889	(22,467)
Capital outlay	-	5,533	6,605	(1,072)
<b>TOTAL EXPENDITURES</b>	<u>2,130,995</u>	<u>2,165,995</u>	<u>2,116,288</u>	<u>49,707</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>1,305,000</u>	<u>1,305,000</u>	<u>1,612,382</u>	<u>307,382</u>
<b>OTHER FINANCING USES</b>				
Reversion to Board of County Commissioners	(1,305,000)	(1,305,000)	(1,612,382)	(307,382)
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-
<b>FUND BALANCE, BEGINNING OF YEAR</b>	-	-	-	-
<b>FUND BALANCE, END OF YEAR</b>	<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 NET ASSETS - FIDUCIARY FUNDS  
SEPTEMBER 30, 2010**

	Agency Funds
<b>ASSETS</b>	
Cash	\$ 1,789,716
Accounts receivable	35,458
Total assets	<b>\$ 1,825,174</b>
 <b>LIABILITIES</b>	
Accrued liabilities	\$ 81,356
Due to Board of County Commissioners	50,828
Due to General Fund	29,580
Due to other governments	83,057
Installment taxes	1,580,353
<b>TOTAL LIABILITIES</b>	<b>\$ 1,825,174</b>

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

**TAX COLLECTOR  
FLAGLER COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

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

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

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

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

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

b) **Measurement Focus, Basis of Accounting, and Basis of Presentation** - Fund financial statements report detailed information about the Tax Collector. The focus of fund financial statements is on major funds. For the year ended September 30, 2010, 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, 2010**

**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 Tax Collector considers revenues to be available if they are collected within 60 days of the end of the current period.

The primary revenue sources for governmental funds are charges for services to the Board of County Commissioners and other taxing districts. Primary revenue sources associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenues, such as interest income and miscellaneous revenues, are considered to be measurable and available only when payment is received.

Expenditures are generally recorded when the related fund liabilities are incurred, as under accrual accounting. However, liabilities such as compensated absences, insurance and similar items, are recorded only when payment is due or to the extent they have matured.

The Tax Collector's policy is to apply restricted and then unrestricted resources when an expenditure/expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Additionally, the Tax Collector reports the following fund type:

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

c) **Capital Assets** - Refer to Note 1(f) in the County-wide Financial Statements.

d) **Long-Term Liabilities** - Refer to Note 1(g) in the County-wide Financial Statements.

e) **Budget 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.

**TAX COLLECTOR  
FLAGLER COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**f) Property Tax Collections**

Chapter 197, Florida Statutes, governs tax collections.

- **Current Taxes**

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

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

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

- **Tax Deed**

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

**g) 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.

**h) Investments** - Refer to Note 1(k) in the County-wide Financial Statements.

**i) Compensated Absences** - Earned leave time is determined by the employee's 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.

**j) Reservations and Designations of Fund Equity** - Refer to Note 1(r) in the County-wide Financial Statements.

**TAX COLLECTOR  
FLAGLER COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

k) **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.

l) **Income Taxes** - The Tax Collector qualifies as a tax-exempt governmental entity, accordingly, no provision for Federal or State Income tax is required.

**2) CASH AND CASH EQUIVALENTS:**

**Deposits:**

At year-end, the carrying amount of the Tax Collector's deposits was \$3,541,918 and the bank balances were \$5,041,275. 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*.

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.

**TAX COLLECTOR  
FLAGLER COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**3) 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, 2009	Additions	Deductions	Balance September 30, 2010
Governmental activities				
Equipment	\$ 227,923	\$ 6,605	\$ -	\$ 234,528
Less accumulated depreciation	212,443	13,490	-	225,933
Total governmental activities capital assets, net	<u>\$ 15,480</u>	<u>\$ (6,885)</u>	<u>\$ -</u>	<u>\$ 8,595</u>

For the year ended September 30, 2010, depreciation expense of \$13,490 was charged to the general government function in the basic financial statements of Flagler County, Florida.

**4) OPERATING LEASES:**

The Tax Collector maintains one office lease with a maturity date of January 2013. Monthly rent expense allocated for the term of the renewed lease is \$2,146. For the year ended September 30, 2010, rent expense, under this lease was \$33,284. The future minimum lease payments for the remaining terms are as follows:

Year ending September 30,	Amount
2011	\$ 26,616
2012	27,944
2013	9,464
	<u>\$ 64,024</u>

**5) LONG-TERM LIABILITIES:**

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

	Balance October 1, 2009	Additions	Deductions	Balance September 30, 2010	Due Within One Year
Compensated absences	<u>\$ 52,284</u>	<u>\$ 58,995</u>	<u>\$ 53,536</u>	<u>\$ 57,743</u>	<u>\$ 57,743</u>

Historically compensated absences have been liquidated by the general fund.

**TAX COLLECTOR  
FLAGLER COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**6) PENSION PLANS:**

**Defined Benefit Pension Plan** - The Tax Collector participates in the Florida Retirement System Pension Plan (the "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:

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

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

The contribution rates are as follows:

	October 1, 2009 - June 1, 2010	July 1, 2010 - September 30, 2010
Regular employees	9.85%	10.77%
Elected county officials	16.53%	18.64%
Deferred retirement option program Employees	10.91%	12.25%

The contribution rate of current year-covered payroll is 10.86 percent. For the years ended September 30, 2010, 2009, and 2008, total contributions were \$134,678, \$141,489 and \$125,219, 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.

**TAX COLLECTOR  
FLAGLER COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**6) PENSION PLANS (continued):**

**Defined Contribution Pension Plan (continued)**

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, 2010, all employees of the Tax Collector were participating in the Pension Plan.

**7) DUE TO ENTITIES OF FLAGLER COUNTY:**

At September 30, 2010, the amounts due to entities of Flagler County consists of the following:

Due to Board of County Commissioner	<u>\$ 1,663,217</u>
-------------------------------------	---------------------

There were \$1,612,382 excess revenues reverted to the Board of County Commissioners.

**8) 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 \$220,786 to the Board for insurance coverage. Information regarding the program's coverage, self-insurance reserves and program administration can be found in the basic financial statements of Flagler County for the year ended September 30, 2010.

**TAX COLLECTOR  
FLAGLER COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**9) OTHER POSTEMPLOYMENT BENEFITS:**

Refer to Note 15 in the County-wide Financial Statements.

The following table shows the actuarial determined components for the Tax Collector employee's portion of Flagler County's obligation as of September 30, 2010 based on the current plan provisions:

Annual required contribution	\$	14,160
Interest on net OPEB contribution		341
Adjustment to annual required contribution		(282)
Annual OPEB cost (expense)		14,219
Contributions made		2,890
Increase in net OPEB obligation		11,329
Net OPEB obligation - beginning of year		15,450
Net OPEB obligation - end of year	\$	26,779

No trust or agency fund has been established by Flagler County for the plan. There were no adjustments to the annual required contribution or interest earnings.

The Tax Collector's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for the current and previous two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
9/30/2010	\$ 14,219	20.3%	\$ 26,778
9/30/2009	\$ 15,112	60.0%	\$ 15,450
9/30/2008	\$ 11,545	18.5%	\$ 9,406

Funded Status and Funding Progress - As of September 30, 2009, the most recent actuarial valuation date, the plan was 0 percent funded. The accrued liability for benefits was \$105,582 and the actuarial value of the assets was 0 percent resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$105,582. The covered payroll was \$1,304,750 and UAAL as a Percentage of Covered Payroll was 8.1%.

**TAX COLLECTOR  
FLAGLER COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**10) SUBSEQUENT EVENTS:**

**a) GASB 54 - Fund Balance Reporting and Governmental Fund Type Definitions**

In March 2009, the GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions ("GASB 54"), to address issues related to how fund balance is reported. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds. Governments are required to implement GASB 54 in their financial statements for periods beginning after June 15, 2010. As of the date of the auditor's report, the effects of the new pronouncement are not quantifiable for disclosure purposes.

**b) Evaluating Subsequent Events**

The Tax Collector has evaluated subsequent events through May 18, 2011, the date which the financial statements were issued.

**TAX COLLECTOR  
FLAGLER COUNTY, FLORIDA  
SCHEDULE OF FUNDING PROGRESS OF OTHER POSTEMPLOYMENT BENEFITS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
10/1/2007	\$ -	\$ 72,895	\$ 72,895	-	\$ 1,154,076	6.3%
9/30/2009	\$ -	\$ 105,582	\$ 105,582	-	\$ 1,304,750	8.1%

\* Funding progress information for the Tax Collector for 2010 and 2007 is unavailable because the Tax Collector implemented the requirement of GASB Statement No. 45 in 2008, and is only required to update the actuarial study every other year.

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

**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, 2010, and have issued our report thereon dated May 18, 2011. 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 Tax Collector's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions 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.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 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 applicable regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

May 18, 2011  
Melbourne, Florida

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

## MANAGEMENT LETTER

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

We have audited the special-purpose financial statements of the Tax Collector of Flagler County, Florida (the "Tax Collector"), as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated May 18, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in that report, which is dated May 18, 2011, should be considered in conjunction with this management letter.

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

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Tax Collector complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3, Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have an 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.

- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the special-purpose financial statements, considering both quantitative and qualitative factors:(1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) Deficiencies in internal controls that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the special-purpose financial statements. The Tax Collector was established by the Constitution of the State of Florida, Article VIII, Section 1(d). There were no component units related to the Tax Collector.

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

May 18, 2011  
Melbourne, Florida

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

**SUZANNE JOHNSTON**  
**FLAGLER COUNTY TAX COLLECTOR**

**P. O. Box 846**  
**Bunnell, FL 32110**  
**Phone: 386-313-4160**

March 18, 2011

To Whom It May Concern:

I have received the Flagler County Tax Collector's financial statements and audit report for the year ending September 30, 2010.

I am pleased to report that there were no findings or recommendations included in the audit report.

Sincerely,



Suzanne Johnston  
Flagler County Tax Collector

**PROPERTY APPRAISER  
FLAGLER COUNTY, FLORIDA  
SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying special-purpose financial statements of the major fund of the Property Appraiser of Flagler County, Florida, (the "Property Appraiser") as of and for the year ended September 30, 2010, as listed in the table of contents. These special-purpose financial statements are the responsibility of the Property Appraiser's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the accompanying 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 respective financial position of the Property Appraiser, at September 30, 2010, 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, 2010, 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 respective financial position of the major fund of the Property Appraiser, as of September 30, 2010, 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 May 18, 2011 on our consideration of the Property Appraiser'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.

Accounting principles generally accepted in the United States of America require that the schedule of funding progress of other postemployment benefits be presented to supplement the special-purpose financial statements. Such information, although not a part of the special-purpose financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the special-purpose financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the special-purpose financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

May 18, 2011  
Melbourne, Florida

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

**PROPERTY APPRAISER  
FLAGLER COUNTY, FLORIDA  
BALANCE SHEET - GOVERNMENTAL FUND  
SEPTEMBER 30, 2010**

	General Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 106,258
Due from other governments	1,225
<b>TOTAL ASSETS</b>	<b>\$ 107,483</b>
 <b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 21,859
Accrued liabilities	29,008
Due to Board of County Commissioners	48,690
Due to other governments	7,926
<b>TOTAL LIABILITIES</b>	<b>107,483</b>
 <b>FUND BALANCE</b>	
Unreserved-undesignated	-
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 107,483</b>

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, 2010**

	<u>General Fund</u>
<b>REVENUES</b>	
Charges for services	\$ 95,996
Miscellaneous revenue	22,883
<b>TOTAL REVENUES</b>	<u>118,879</u>
<b>EXPENDITURES</b>	
Current	
General government	
Personal services	1,930,615
Operating expenses	244,673
Capital outlay	3,439
<b>TOTAL EXPENDITURES</b>	<u>2,178,727</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	(2,059,848)
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfers in - Board of County Commissioners	2,115,154
Reversion to Board of County Commissioners	(55,306)
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>2,059,848</u>
<b>NET CHANGE IN FUND BALANCE</b>	-
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ -</u></u>

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

**PROPERTY APPRAISER  
FLAGLER COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Original Budget	Final Budget	Actual	Variance to Final Budget
<b>REVENUES</b>				
Charges for services	\$ 90,412	\$ 91,075	\$ 95,996	\$ 4,921
Miscellaneous revenue	-	-	22,883	22,883
<b>TOTAL REVENUES</b>	<u>90,412</u>	<u>91,075</u>	<u>118,879</u>	<u>27,804</u>
<b>EXPENDITURES</b>				
Current				
General government				
Personal services	1,985,291	1,985,954	1,930,615	55,339
Operating expenses	216,475	216,475	244,673	(28,198)
Capital outlay	3,800	3,800	3,439	361
<b>TOTAL EXPENDITURES</b>	<u>2,205,566</u>	<u>2,206,229</u>	<u>2,178,727</u>	<u>27,502</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>(2,115,154)</u>	<u>(2,115,154)</u>	<u>(2,059,848)</u>	<u>55,306</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in - Board of County Commissioners	2,115,154	2,115,154	2,115,154	-
Reversion to Board of County Commissioners	-	-	(55,306)	(55,306)
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>2,115,154</u>	<u>2,115,154</u>	<u>2,059,848</u>	<u>(55,306)</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	-	-
<b>FUND BALANCES, BEGINNING OF YEAR</b>	-	-	-	-
<b>FUND BALANCES, END OF YEAR</b>	<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, 2010**

**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 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 of the results of operations of Flagler County, Florida, taken as a whole.

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

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

b) **Measurement Focus, Basis of Accounting, and Basis of Presentation** - Fund financial statements report detailed information about the Property Appraiser. The focus of fund financial statements is on major funds. For the year ended September 30, 2010, 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, 2010**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

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

**General Fund (continued)**

General fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Miscellaneous revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

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.

The primary revenue sources for governmental funds are charges for services to the Board of County Commissioners and other taxing districts. Primary revenue sources associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenues, such as miscellaneous revenues, are considered to be measurable and available only when payment is received.

Expenditures are generally recorded when the related fund liabilities are incurred, as under accrual accounting. However, liabilities such as compensated absences, insurance and similar items, are recorded only when payment is due or to the extent they have matured.

The Property Appraiser's policy is to apply restricted then unrestricted resources when an expenditure/expense is incurred for purposes for which both restricted and unrestricted net assets are available

c) **Capital Assets** - Refer to Note 1(f) in the County-wide Financial Statements.

d) **Long-Term Liabilities** - Refer to Note 1(g) in the County-wide Financial Statements.

e) **Budget 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 amendments of the annual budget. Budget appropriations lapse at year-end.

**PROPERTY APPRAISER  
FLAGLER COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

f) **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.

g) **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.

h) **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.

i) **Income Taxes** - The Property Appraiser qualifies as a tax-exempt governmental entity, accordingly, no provision for Federal or State Income tax is required.

**2) CASH AND CASH EQUIVALENTS:**

As of September 30, 2010, the carrying amount of the Property Appraiser's deposits was \$106,258 and the bank balances were \$168,587, which was fully insured by the FDIC. The deposits are insured by the FDIC up to \$250,000 per entity. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the organization pursuant to Section 280.08, Florida Statutes.

**PROPERTY APPRAISER  
FLAGLER COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**3) CAPITAL ASSETS:**

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

	Balance October 1, 2009	Increases	Decreases	Balance September 30, 2010
Governmental Activities:				
Equipment	\$ 406,609	\$ 23,121	\$ 9,075	\$ 420,655
Less accumulated depreciation	367,751	28,618	9,075	387,294
Total governmental activities capital assets, net	<u>\$ 38,858</u>	<u>\$ (5,497)</u>	<u>\$ -</u>	<u>\$ 33,361</u>

For the year ended September 30, 2010, depreciation expense of \$28,618 was charged to the general government function in the basic financial statements of Flagler County, Florida.

**4) OPERATING LEASES:**

The Property Appraiser has six vehicle operating leases. The leases expire at varying dates from February 2011 to August 2013. Monthly payments range from \$166 to \$349. Lease expense for the year ended September 30, 2010 was \$21,393. The future minimum lease payments for the next three years are as follows:

Year Ending September 30,	Amount
2011	\$ 14,779
2012	9,427
2013	3,841
	<u>\$ 28,047</u>

**5) LONG-TERM LIABILITIES:**

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

	Balance October 1, 2009	Additions	Deductions	Balance September 30, 2010	Due within one year
Compensated absences	\$ 62,350	\$ 132,075	\$ 120,886	\$ 73,539	\$ 73,539

Historically compensated absences have been liquidated by the general fund.

**PROPERTY APPRAISER  
FLAGLER COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**6) PENSION PLANS:**

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

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

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, 2009 - June 30, 2010	July 1, 2010 - September 30, 2010
Regular employees	9.85%	10.77%
Elected county officials	16.53%	18.64%
Senior management	13.12%	14.57%
Deferred retirement option program Employees	10.91%	12.25%

The contribution rate of current year-covered payroll is 11.04 percent. For the years ended September 30, 2010, 2009 and 2008, total contributions were \$155,840, \$155,752 and \$147,052, respectively. The Property Appraiser made actual contributions equal to the actuarially determined required contributions each year.

**PROPERTY APPRAISER  
FLAGLER COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**6) PENSION PLANS (continued):**

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

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

**7) 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. There were no significant reductions in insurance coverage from prior years. 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 \$265,572 to the Board for insurance coverage. Information regarding the program's coverage, self-insurance reserves and program administration can be found in the financial statements of the Flagler County Board of County Commissioners for the year ended September 30, 2010.

**8) DUE FROM/TO ENTITIES OF FLAGLER COUNTY:**

At September 30, 2010, the amounts due from/to entities of Flagler County consists of the following:

Due to Board of County Commissioners	<u>\$ 48,690</u>
--------------------------------------	------------------

The amount due to the Board of County Commissioners includes the reversion of \$55,306 of excess revenues and other financing sources over expenditures and is reported net of other amounts due from the Board at September 30, 2010.

**PROPERTY APPRAISER  
FLAGLER COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**9) OTHER POSTEMPLOYMENT BENEFITS:**

Refer to Note 15 in the County-wide Financial Statements.

The following table shows the actuarial determined components for the Property Appraiser employer's portion of Flagler County's obligation as of September 30, 2010 based on the current plan provisions:

Annual required contribution	\$	17,988
Interest on net OPEB contribution		433
Adjustment to annual required contribution		(359)
Annual OPEB cost (expense)		18,062
Contributions made		3,671
Increase in net OPEB obligation		14,391
Net OPEB obligation - beginning of year		17,319
Net OPEB obligation - end of year	\$	31,710

No trust or agency fund has been established by Flagler County for the plan; there were no adjustments to the annual required contribution or interest earnings.

The Property Appraiser's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for the current and previous two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
9/30/2010	\$ 18,062	20.3%	\$ 31,710
9/30/2009	\$ 16,941	60.0%	\$ 17,319
9/30/2008	\$ 12,942	18.5%	\$ 10,544

Funded Status and Funding Progress - As of September 30, 2009, the most recent actuarial valuation date, the plan was 0 percent funded. The accrued liability for benefits was \$118,362 and the actuarial value of the assets was 0 percent resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$118,362. The covered payroll was \$1,462,677 and UAAL as a Percentage of Covered Payroll was 8.1%.

**PROPERTY APPRAISER  
FLAGLER COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**9) OTHER POSTEMPLOYMENT BENEFITS (continued):**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**10) SUBSEQUENT EVENTS:**

**a) GASB 54 - Fund Balance Reporting and Governmental Fund Type Definitions**

In March 2009, the GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions ("GASB 54"), to address issues related to how fund balance is reported. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds. Governments are required to implement GASB 54 in their financial statements for periods beginning after June 15, 2010. As of the date of the auditor's report, the effects of the new pronouncement are not quantifiable for disclosure purposes.

**b) Evaluating Subsequent Events**

The Property Appraiser has evaluated subsequent events through May 18, 2011, the date which the financial statements were issued.

**PROPERTY APPRAISER  
FLAGLER COUNTY, FLORIDA  
SCHEDULE OF FUNDING PROGRESS OF OTHER POSTEMPLOYMENT BENEFITS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
10/1/2007	\$ -	\$ 81,718	\$ 81,718	-	\$ 1,291,635	6.3%
9/30/2009	\$ -	\$ 118,362	\$ 118,362	-	\$ 1,462,677	8.1%

\* Funding progress information for the Property Appraiser for 2010 and 2007 is unavailable because the Property Appraiser implemented the requirement of GASB Statement No. 45 in 2008, and is only required to update the actuarial study every other year.

**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, 2010, which collectively comprise the Property Appraiser's special-purpose financial statements and have issued our report thereon dated May 18, 2011. 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 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 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.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 Property Appraiser'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*

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

May 18, 2011  
Melbourne, Florida

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

## MANAGEMENT LETTER

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

We have audited the special-purpose financial statements of the Property Appraiser of Flagler County, Florida (the "Property Appraiser") as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated May 18, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters, and disclosures in that report, which is dated May 18, 2011, should be considered in conjunction with this management letter.

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

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. 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 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. In connection with our audit, we did not have any such findings.
- 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 occurred, or are likely to have occurred, 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, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) Deficiencies in internal control that are not significant deficiencies. 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.

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

May 18, 2011  
Melbourne, Florida

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

**SUPERVISOR OF ELECTIONS**  
**FLAGLER COUNTY, FLORIDA**  
**SPECIAL-PURPOSE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

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## INDEPENDENT AUDITORS' REPORT

Honorable Kimberle B. Weeks  
Flagler County Supervisor of Elections  
Flagler County, Florida

We have audited the accompanying special-purpose financial statements of the major fund of the Flagler County Supervisor of Elections (the "Supervisor") as of and for the year ended September 30, 2010, which collectively comprise the Supervisor's basic financial statements as listed in the table of contents. These special-purpose financial statements are the responsibility of the Supervisor's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, the accompanying 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 respective financial position of the Supervisor at September 30, 2010, 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, 2010, 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 respective financial position of the major fund of the Supervisor, as of September 30, 2010, 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 22, 2011, on our consideration of the Supervisor'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.

Accounting principles generally accepted in the United States of America require that the schedule of funding progress of other postemployment benefits be presented to supplement the special-purpose financial statements. Such information, although not a part of the special-purpose financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the special-purpose financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

February 22, 2011  
Melbourne, Florida

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

**FLAGLER COUNTY SUPERVISOR OF ELECTIONS  
BALANCE SHEET - GOVERNMENTAL FUND  
SEPTEMBER 30, 2010**

	<u>General Fund</u>
<b>ASSETS:</b>	
Cash	\$ 82,264
Grants receivable	3,704
<b>TOTAL ASSETS</b>	<u><u>\$ 85,968</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES:</b>	
Accounts payable	\$ 2,658
Accrued liabilities	50
Due to Board of County Commissioners	67,994
Deferred revenue	15,266
<b>TOTAL LIABILITIES</b>	<u>85,968</u>
 <b>FUND BALANCE:</b>	
Unreserved - undesignated	-
<b>TOTAL FUND BALANCE</b>	<u>-</u>
 <b>TOTAL LIABILITIES AND FUND BALANCE</b>	 <u><u>\$ 85,968</u></u>

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

**FLAGLER COUNTY SUPERVISOR OF ELECTIONS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	General Fund
<b>REVENUES:</b>	
Intergovernmental	\$ 4,027
Charges for services	71,977
Miscellaneous revenue	38
<b>TOTAL REVENUES</b>	76,042
 <b>EXPENDITURES:</b>	
Current:	
General government:	
Personal services	395,929
Operating expenses	262,518
Capital outlay	35,779
<b>TOTAL EXPENDITURES</b>	694,226
 <b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(618,184)
 <b>OTHER FINANCING SOURCES (USES):</b>	
Transfer in - Board of County Commissioners	685,538
Reversion to Board of County Commissioners	(67,354)
<b>TOTAL OTHER FINANCING SOURCES</b>	618,184
 <b>NET CHANGE IN FUND BALANCE</b>	-
 <b>FUND BALANCE, BEGINNING OF YEAR</b>	-
 <b>FUND BALANCE, END OF YEAR</b>	\$ -

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

**FLAGLER COUNTY SUPERVISOR OF ELECTIONS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Original Budget	Final Budget	Actual	Variance to Final Budget
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ 4,000	\$ 4,027	\$ 27
Charges for services	-	-	71,977	71,977
Miscellaneous revenue	-	-	38	38
<b>TOTAL REVENUES</b>	<u>-</u>	<u>4,000</u>	<u>76,042</u>	<u>72,042</u>
<b>EXPENDITURES:</b>				
Current:				
General government:				
Personal services	474,906	464,520	395,929	68,591
Operating expenses	192,851	184,133	262,518	(78,385)
Special election	179,000	179,000	-	179,000
Capital outlay	40,885	40,885	35,779	5,106
<b>TOTAL EXPENDITURES</b>	<u>887,642</u>	<u>868,538</u>	<u>694,226</u>	<u>174,312</u>
<b>EXCESS (DEFICIENCY) REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(887,642)</u>	<u>(864,538)</u>	<u>(618,184)</u>	<u>246,354</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in - Board of County Commissioners	708,642	685,538	685,538	-
Transfer in - Board of County Commissioners for Special Election	179,000	179,000	-	(179,000)
Reversion to Board of County Commissioners	-	-	(67,354)	(67,354)
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>887,642</u>	<u>864,538</u>	<u>618,184</u>	<u>(246,354)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-
<b>FUND BALANCE, BEGINNING OF YEAR</b>	-	-	-	-
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**FLAGLER COUNTY SUPERVISOR OF ELECTIONS  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The following is a summary of significant accounting policies of the Flagler County Supervisor of Elections (the "Supervisor").

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

The Supervisor, as established by Article VIII of the Constitution of the State of Florida, is an elected official of the County. Although the Supervisor'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 Supervisor is reported as a part of the primary government of Flagler County, Florida. The Supervisor'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 Supervisor 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, 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. The focus of fund financial statements is on major funds rather than reporting funds by type. For the year ended September 30, 2010, the Supervisor reported the General Fund as a major fund.

**Governmental Funds**

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

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

**FLAGLER COUNTY SUPERVISOR OF ELECTIONS  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**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 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.

c) **Capital Assets** - Capital assets consist of equipment in the Supervisor's operations and are recorded as expenditures in the General Fund 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, 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 Supervisor's cash and cash equivalents are considered to be cash on hand or demand deposits with original maturities of three months or less from acquisition date.

e) **Compensated Absences** - Earned leave time is determined by employees' length of service. Generally, the Supervisor'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 Supervisor 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, 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 special-purpose financial statements, and the reporting amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

g) **Income Taxes** - The Supervisor qualifies as a tax-exempt governmental entity, accordingly, no provision for Federal or State Income tax is required.

**FLAGLER COUNTY SUPERVISOR OF ELECTIONS  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**2) BUDGETS AND BUDGETARY ACCOUNTING:**

**Budgetary Basis of 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 adopted for the General Fund. 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 Supervisor as reported as part of the basic financial statements of Flagler County, Florida is as follows

	Balance October 1, 2009	Additions	Deductions	Balance September 30, 2010
Equipment	\$ 563,340	\$ 34,443	\$ -	\$ 597,783
Accumulated depreciation	(542,191)	(10,499)	-	(552,690)
Capital assets, net	<u>\$ 21,149</u>	<u>\$ 23,944</u>	<u>\$ -</u>	<u>\$ 45,093</u>

For the year ended September 30, 2010, depreciation expense of \$10,499 was charged to the general government function in the basic financial statements of Flagler County, Florida.

**4) LONG-TERM LIABILITIES:**

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

	Balance October 1, 2009	Additions	Deductions	Balance September 30, 2010	Due Within One Year
Compensated absences	<u>\$ 3,635</u>	<u>\$ 12,884</u>	<u>\$ 8,993</u>	<u>\$ 7,526</u>	<u>\$ 7,526</u>

Historically compensated absences have been liquidated by the general fund.

**FLAGLER COUNTY SUPERVISOR OF ELECTIONS  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**5) OPERATING LEASES:**

The Supervisor has multiple operating leases for equipment with maturity dates ranging from June 27, 2010 to July 9, 2014. Monthly rent expense ranges from \$110 to \$128. Rent expense under these leases for the year ended September 30, 2010, was \$5,826. The future minimum lease payments for the remaining terms are as follows:

Year ending September 30,	Amount
2011	\$ 2,607
2012	2,520
2013	1,536
2014	1,152
	\$ 7,815

**6) PENSION PLANS:**

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

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

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

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

**FLAGLER COUNTY SUPERVISOR OF ELECTIONS  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**6) PENSION PLANS (continued):**

The contribution rates are as follows:

	October 1, 2009 - June 30, 2010	July 1, 2010 - September 30, 2010
Regular employees	9.85%	10.77%
Elected county officials	16.53%	18.64%
Deferred retirement option program employees	10.91%	12.25%

The contribution rate for the years ended September 30, 2010, 2009 and 2008, covered payroll is 13.03%, 12.40%, and 10.53% and total contributions were \$32,802, \$28,357, and \$27,099, respectively. The Supervisor made actual contributions equal to the required contributions each year.

**Defined Contribution Pension Plans**

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

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

For the year ended September 30, 2010, all employees of the Supervisor were participating in the Pension Plan.

**FLAGLER COUNTY SUPERVISOR OF ELECTIONS  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**7) DEPOSITS:**

Custodial credit risk - The Supervisor maintains its cash balances in Bank of America (the "Bank"). The Bank participates in the Federal Deposit Insurance Corporation (FDIC) Transaction Account Guarantee Program. Under this program, through December 31, 2012, all non-interest-bearing transaction accounts (demand deposit accounts) are fully guaranteed by the FDIC for the entire amount in the account. Coverage under this program is in addition to and separate from the coverage available under the FDIC's basic deposit insurance rules. Balances in other account types, including interest bearing accounts, are insured up to \$250,000.

**8) DUE TO ENTITIES OF FLAGLER COUNTY:**

At September 30, 2010, the amounts due to entities of Flagler County consist of the following:

Due to the Board of County Commissioners	\$ 67,994
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The amount due to the Board of County Commissioners is the reversion of excess revenues and other financing sources over expenditures and is reported net of other amounts due to the Board at September 30, 2010.

**9) RISK MANAGEMENT:**

The Supervisor 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 carries commercial insurance. Settled claims resulting from the risks described above have not exceeded the insurance coverage during the previous three years.

The Supervisor 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 remitted \$45,334 to the Board for insurance coverage. Information regarding the program's coverage, self-insurance reserves and program administration can be found in the basic financial statements of Flagler County Board of County Commissioners for the year ended September 30, 2010.

**FLAGLER COUNTY SUPERVISOR OF ELECTIONS  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**10) OTHER POSTEMPLOYMENT BENEFITS:**

Refer to Note 15 in the County-wide Financial Statements.

The following table shows the actuarial determined components for the Supervisor employee's portion of Flagler County's obligation as of October 1, 2010 based on the current plan provisions:

Annual required contribution	\$	3,297
Interest on net OPEB contribution		79
Adjustment to annual required contribution		(66)
Annual OPEB cost (expense)		3,310
Contributions made		673
Increase in net OPEB obligation		2,637
Net OPEB obligation - beginning of year		2,863
Net OPEB obligation - end of year	\$	5,500

No trust or agency fund has been established by Flagler County for the plan; there were no adjustments to the annual required contribution or interest earnings.

The Supervisor's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for the current and previous two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
9/30/2010	\$ 3,310	20.3%	\$ 5,500
9/30/2009	\$ 2,800	60.0%	\$ 2,863
9/30/2008	\$ 2,139	18.5%	\$ 1,743

Funded Status and Funding Progress - As of September 30, 2009, the most recent actuarial valuation date, the plan was 0 percent funded. The accrued liability for benefits was \$19,564 and the actuarial value of the assets was 0 percent resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$19,564. The covered payroll was \$241,766 and UAAL as a Percentage of Covered Payroll was 8.1%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**FLAGLER COUNTY SUPERVISOR OF ELECTIONS  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**11) SUBSEQUENT EVENTS:**

**a) GASB 54 - Fund Balance Reporting and Governmental Fund Type Definitions**

In March 2009, the GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions ("GASB 54"), to address issues related to how fund balance is reported. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds. Governments are required to implement GASB 54 in their financial statements for periods beginning after June 15, 2010. As of the date of the auditor's report, the effects of the new pronouncement are not quantifiable for disclosure purposes.

**b) Evaluating Subsequent Events**

The Supervisor has evaluated subsequent events through February 22, 2011, the date which the financial statements were issued.

**FLAGLER COUNTY SUPERVISOR OF ELECTIONS**  
**SCHEDULE OF FUNDING PROGRESS OF OTHER POSTEMPLOYMENT BENEFITS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
10/1/2007	\$ -	\$ 13,507	\$ 13,507	-	\$ 278,654	4.8%
9/30/2009	\$ -	\$ 19,564	\$ 19,564	-	\$ 241,766	8.1%

\* Funding progress information for the Supervisor for 2010 and 2007 is unavailable because the District implemented the requirement of GASB Statement No. 45 in 2008, and is only required to update the actuarial study every other year.

**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**

Honorable Kimberle B. Weeks  
Flagler County Supervisor of Elections  
Flagler County, Florida

We have audited the special-purpose financial statements of the major fund of the Flagler County Supervisor of Elections (the "Supervisor"), as of and for the year ended September 30, 2010, which collectively comprise the Supervisor's special-purpose financial statements and have issued our report thereon dated February 22, 2011. 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'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 Supervisor's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Supervisor's internal control over financial reporting.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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'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*.

We noted certain matters that we reported to management of the Supervisor, in the accompanying management letter dated February 22, 2011.

The Supervisor's response to matters identified in our audit is described in the accompanying management letter. We did not audit the Supervisor's response, and accordingly, we express no opinion on it.

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

February 22, 2011  
Melbourne, Florida

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

## MANAGEMENT LETTER

Honorable Kimberle B. Weeks  
Flagler County Supervisor of Elections  
Flagler County, Florida

We have audited the special-purpose financial statements of the Flagler County Supervisor of Elections (the "Supervisor"), as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated February 22, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters, and disclosures in that report, which is dated February 22, 2011, should be considered in conjunction with this management letter.

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

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. 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, recommendation is noted below as item 10-1.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such findings.
- 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 occurred, or are likely to have occurred, 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, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) Deficiencies in internal control that are not significant deficiencies. 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 was established by the Constitution of the State of Florida, Article VIII, Section 1(d).

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

February 22, 2011  
Melbourne, Florida

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

## Current Year Management Recommendation

### 10-1 Qualified Public Deposits

Criteria: Florida Statute 280.17 states that an organization that has public deposits shall place them in a public deposit account in a qualified public depository and if all requirements of this statute are not met, then the protection of loss provided in Florida Statute 280.18 is not effective for that public deposit account.

Condition: During our year end audit, we found that the Supervisor's funds were not protected from loss under Florida Statute 280.18.

Cause: The Supervisor did not file a timely report to notify the Department of Financial Services of funds on deposit.

Effect: The Supervisor is not in compliance with Florida Statutes.

Auditors' recommendation: We recommend the Supervisor ensure that all public deposits are placed in a public deposit account in a qualified public depository and comply annually with all of the requirements of Florida Statute 280.17 in order to be in compliance with Florida Statutes.

Follow-up: The Supervisor responded to the verbally discussed recommendation by filing a Public Depositor Annual Report to the Chief Financial Officer on February 17, 2011.



*Kimberle B. Weeks*  
Flagler County Supervisor of Elections



1769 E. Moody Blvd., Bldg. 2, Suite 101 \* PO Box 901 \* Bunnell, Florida 32110-0901  
Phone (386) 313-4170 \* Fax (386) 313-4171 \* www.flaglerelections.com

March 18, 2011

Berman Hopkins Wright & La Ham  
8035 Spyglass Hill Road  
Melbourne, FL 32940

Dear Auditors and Associates:

I have reviewed the Independent Auditors' Report, special purpose financial statements and management letter of the Flagler County Supervisor of Elections as of and for the year ended September 30, 2010.

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 10-1 Qualified Public Deposits, regarding the requirement to file a Public Depositor Annual Report to the Chief Financial Officer has not consistently been complied with by my predecessor since this requirement took effect in 1998. Berman, Hopkins, Wright & La Ham have independently audited this office the last five years, and when this office did not comply with this requirement prior to the current Supervisor taking office on January 6, 2009, it was not identified by independent auditors, Berman, Hopkins, Wright & La Ham. However, deposited funds for this office were however protected from loss under FDIC by the qualified public depository for the year ending September 30, 2010. The Supervisor of Elections office is currently in compliance with the requirement of filing the Public Depositor Annual Report to the Chief Financial Officer for the year ending September 30, 2010.

Respectfully yours,

Kimberle B. Weeks  
Flagler County Supervisor of Elections