

**East Flagler Mosquito Control District  
Annual Financial Report  
For the Year Ended September 30, 2011**

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# **Independent Auditors' Report**

# Lombardo Spradley Klein

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Honorable Board of Commissioners  
East Flagler Mosquito Control District  
Palm Coast, FL

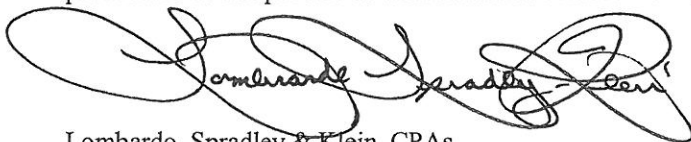
We have audited the accompanying financial statements of the governmental activity, of East Flagler Mosquito Control District, as of and for the year ended September 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 on *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit 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 of the East Flagler Mosquito Control District, as of September 30, 2011, and the respective changes in financial position 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 January 9, 2012 on our consideration of East Flagler Mosquito Control District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the management's discussion and analysis and budgetary comparison information on pages 2 through 7 and 25 through 26, be presented to supplement the basic financial statements. Such information, although not 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 managements 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.



Lombardo, Spradley & Klein, CPAs

January 9, 2012

## **Management Discussion and Analysis**

**East Flagler Mosquito Control District  
Management Discussion and Analysis  
For the Year Ended September 30, 2011**

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Our discussion and analysis of the East Flagler Mosquito Control District's (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2011. Please read it in conjunction with the District's financial statements, which begin on page 8.

**FINANCIAL HIGHLIGHTS**

The District's Board of Commissioners continued its press for conservation and its emphasis on prudent expenditures during a tough economic climate. During the process of developing the budget line items were fully funded based on the expectations at that time. However, the press to conserve resulted in every line item, except salaries, coming in significantly under budget (Statement of Revenues, Expenditures and Changes in Fund Balance, page 24).

At the conclusion of the District's fiscal year, September 30, 2011, the District had assets totaling \$3,777,767, liabilities of \$61,139, and net assets totaled \$3,716,628 (Statement of Net Assets).

District revenues were \$1,486,212 while expenses totaled \$1,378,703. Ad valorem taxes provided \$1,440,430, a decrease of 17.7% over the preceding year. Net assets increased \$107,509 (Statement of Activities).

In the Financial Statements for the Year Ended September 30, 2007 (Note 13—Subsequent Events), it was noted that the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool) was frozen due to unprecedented withdrawals from the fund. These withdrawals were driven by the absence of market liquidity and at risk securities within the pool. The pool was split into Pool A, (Florida Prime), and Pool B. Pool A participants could make withdrawals with certain restrictions. Pool B, containing the at risk securities, was frozen. Pool A, (Florida Prime), no longer has restrictions and the district has access to 100% of those funds. Pool B has somewhat recovered and of the \$159,404 originally frozen only \$25,317 remains frozen as of September 30, 2011. The current net asset value of the amount remaining in fund B is \$19,160. The unrealized loss of \$18,540 was recognized in the year ended September 30, 2009, an unrealized gain in the amount of \$9,242 was recognized in 2010 and a gain of \$3,182 was recognized in the current year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the District's financial statements. This report also includes other supplementary information in addition to the financial statements themselves.

The Statement of Net Assets (page 8) and the Statement of Activities (page 9) provide information about the activities of the District and present a longer-term view of the District's finances. The statements are measured and reported using the economic resource measurement focus and the full accrual basis of accounting.

The Fund Financial Statements begin on page 10. The governmental funds measure and report activities using the current financial resources measurement focus and the modified accrual basis of accounting. Therefore, you will find the reconciliation on page 13 that converts this data to the economic resources measurement focus and the accrual basis of accounting for use in the financial statements. The Governmental Accounting Standards Board (GASB) Statement No. 34 provides the authoritative guidance on the governmental financial reporting model.

**THE FINANCIAL STATEMENTS**

**The Statement of Net Assets and the Statement of Activities**

Government-wide Financial Statements are intended to allow the reader to assess a government's operational accountability. Operational accountability is defined as the extent to which the government has met its operating objectives efficiently and effectively, using all the resources available for that purpose, and whether it can continue to meet its objectives in the foreseeable future. For purposes of these statements, only governmental type activities are measured and reported using the economic resource measurement focus and the accrual basis of accounting.

**East Flagler Mosquito Control District  
Management Discussion and Analysis  
For the Year Ended September 30, 2011**

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain financial control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Notes to the Financial Statements**

The Notes to the Financial Statements provide information that is essential to understanding the financial information presented in the Government-wide Financial Statements and the Fund Financial Statements. The notes can be found beginning on page 14.

**Required Supplementary Information**

Generally accepted accounting principles (GAAP) call for certain unaudited information to accompany the audited basic financial statements and the accompanying footnotes.

**CONDENSED FINANCIAL INFORMATION**

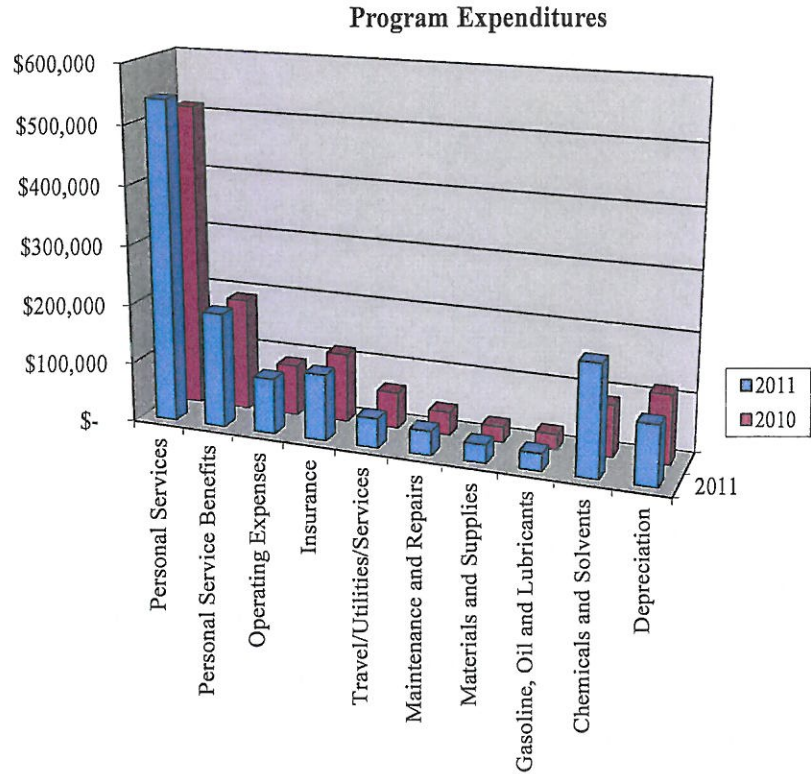
**Condensed Statement of Net Assets as of September 30,**

	Governmental Activities	
	2011	2010
Current and Other Assets	\$ 2,583,429	\$ 2,384,305
Capital Assets, net	1,194,338	1,282,360
Total Assets	<u>\$ 3,777,767</u>	<u>\$ 3,666,665</u>
Current Liabilities	29,027	20,332
Non-Current Liabilities	32,112	37,214
Total Liabilities	<u>61,139</u>	<u>57,546</u>
Net Assets:		
Invested in Capital Assets	1,194,338	1,282,360
Restricted	47,189	42,465
Unrestricted	2,475,101	2,284,294
Total Net Assets	<u>\$ 3,716,628</u>	<u>\$ 3,609,119</u>

**Condensed Statement of Changes in Net Assets for the Fiscal Year Ended September 30,**

	2011	2010
General Revenues:		
Property Taxes	\$ 1,440,430	\$ 1,750,220
Interest Income	7,443	7,566
Intergovernmental	31,519	28,466
Other	6,820	11,585
Total General Revenues	<u>1,486,212</u>	<u>1,797,837</u>
Expenses - Mosquito Control		
Personal Services	541,456	513,660
Personal Service Benefits	193,438	189,671
Operating Expenses	542,821	440,982
Depreciation Expense	100,988	115,541
Total Expenses	<u>1,378,703</u>	<u>1,259,854</u>
Change in Net Assets	107,509	537,983
Beginning Net Assets	3,609,119	3,071,136
Ending Net Assets	<u>\$ 3,716,628</u>	<u>\$ 3,609,119</u>

**East Flagler Mosquito Control District  
Management Discussion and Analysis  
For the Year Ended September 30, 2011**



**An Analysis of the District's overall Financial Position and Results of Operations**

As of September 30, 2011, the District's cash and investments totaled \$2,469,367, representing 95.6% of total assets.

Current cash and investments exceeded total current liabilities by \$2,440,340 and total liabilities by \$2,408,228.

Total current assets exceeded total liabilities by \$2,522,290.

Net assets on September 30, 2011 were \$3,716,628, an increase of \$107,509, or 3%, over the preceding year.

Comparing 2011 expenditures to 2010, a significant increase occurred in chemicals. A much wetter year resulted in additional mosquito spraying, more than doubling chemical expenditures.

**Summary of Operations**

- In September 2010, the Board adopted a millage rate for 2011 that was 18.45% less than the rolled back rate. The Board continued efforts to cut expenditures and operate efficiently. Just \$34,000 was budgeted for capital items and only \$12,966 of that was spent. The District continued its focus on maintaining older equipment.



**East Flagler Mosquito Control District  
Management Discussion and Analysis  
For the Year Ended September 30, 2011**

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**An Analysis of Balances in the Governmental Fund (The General Fund)**

The governmental fund for the District is its only fund – the General Fund. The fund balance (as presented on the balance sheet on page 10) increased by \$190,429 for the year ended September 30, 2011.

The district collected \$1,440,430 in property taxes, and all revenues totaled \$1,486,212. Expenditures were \$1,295,783. Revenues exceeded expenditures by \$190,429.

The State of Florida provides, under the provision of Chapter 388 Florida Statutes, state aid to assist the District in providing mosquito control services. As of September 30, 2011, \$47,189 of the fund balance is restricted for the purposes outlined in Chapter 388 Florida Statutes.

**An Analysis of Significant Variations in the Budget**

The District's budget is shown on the Statement of Revenue, Expenditures and Changes in Fund Balance-Budget (Budgetary-Basis) and Actual-General Fund (see Table of Contents). There were significant variations between the final budget amounts and actual budget results. The following is a summary of the significant variations and reasons for the variations:

- Personal Services and Benefits

Actual expenditures were \$70,561 under budget because health & life insurance and retirement contributions were slightly less than the prior year, and workers compensation was \$45,275 under budget. The District anticipated that these expenditures would increase.

- Insurance

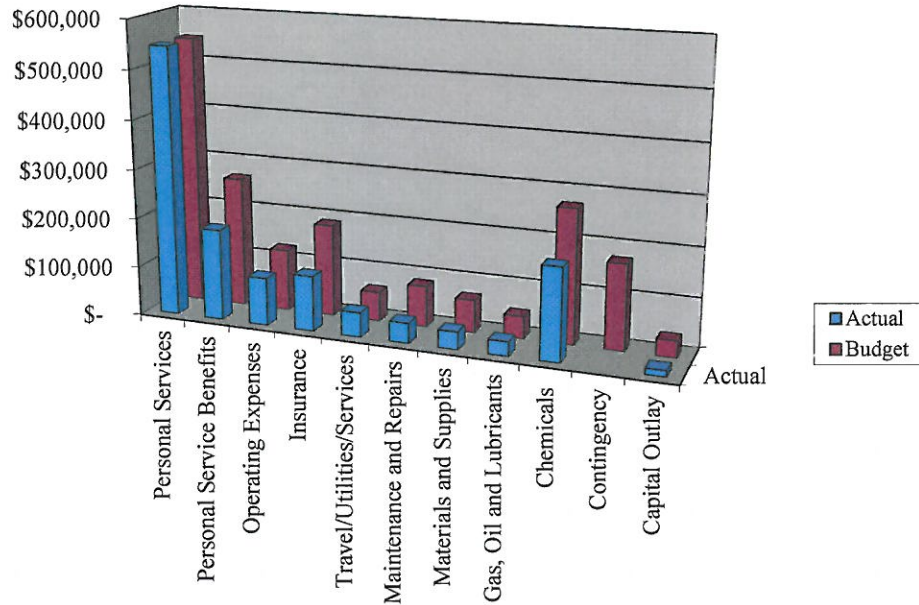
The \$74,812 under budget was a result of overestimating liability insurance rates.

- Chemicals

Mosquito populations vary from year to year in response to environmental factors. The District budgets amounts sufficient to control the mosquito population in an above average year. The current year mosquito activity resulted in a budget surplus of \$105,828.

East Flagler Mosquito Control District  
 Management Discussion and Analysis  
 For the Year Ended September 30, 2011

**Budget to Actual Comparison**



**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets

The District’s capital assets as of September 30, 2011 reflect a current year investment of (\$88,022), net of accumulated depreciation. Capital outlays during the fiscal year included the following purchases:

- Night Vision Goggles - \$10,770
- Payroll Software - \$2,196

No capital assets were removed from the property records due to being salvaged (junked) or sold.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGET RATES**

The District’s principal source of income is property tax revenue generated from property assessments within the District. Property taxes provided 97% of the District’s total revenue. Taxable Value of the District in 2011 was \$6.2 billion, down from the 2010 values of \$7.3 billion. As a result, the millage rate rolled up to .2390 per thousand of taxable value. This movement was .21% lower than the calculated rolled back rate.

Expectations are that property values will begin to stabilize, provided the economic recovery is sustainable. The Board enters the 2012 year with a budget 10.5% lower than the 2011 budget.

**East Flagler Mosquito Control District  
Management Discussion and Analysis  
For the Year Ended September 30, 2011**

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**Request for information**

The District's general purpose external financial statements (the basic financial statements and required supplementary information) are designed to provide a financial overview of the District's finances. Requests for additional information or questions concerning the financial information contained in this report should be addressed to the Director of the East Flagler Mosquito Control District, 24 Utility Drive, Palm Coast, FL 32137.

## **Basic Financial Statements**

# **Government-wide Financial Statements**

# East Flagler Mosquito Control District

## Statement of Net Assets

September 30, 2011

		<u>Governmental Activities</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents		\$ 200,992
Investments		2,268,375
Due from Other Governments		18,649
Prepaid Expenses		22,721
Inventory		<u>72,692</u>
Total Current Assets		<u>2,583,429</u>
Capital Assets:		
Land		41,560
Buildings and Improvements	\$ 426,690	
Less: Accumulated Depreciation	<u>(168,797)</u>	257,893
Vehicles and Equipment	1,713,964	
Less: Accumulated Depreciation	<u>(819,079)</u>	<u>894,885</u>
Total Capital Assets		<u>1,194,338</u>
Total Assets		<u>3,777,767</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable		\$ 9,364
Accrued Payroll and Benefits		18,541
Deferred Revenue		<u>1,122</u>
Total Current Liabilities		<u>29,027</u>
Noncurrent Liabilities less Current Portion:		
Compensated Absences		<u>32,112</u>
Total Noncurrent Liabilities		<u>32,112</u>
Total Liabilities		<u>61,139</u>
<b>NET ASSETS</b>		
Invested in Capital Assets		1,194,338
Restricted - State I Funds		47,189
Unrestricted		<u>2,475,101</u>
Total Net Assets		<u>\$ 3,716,628</u>

See accompanying notes to financial statements.

# East Flagler Mosquito Control District

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## Statement of Activities

Year Ended September 30, 2011

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Human Services - Mosquito Control:	
Personal Services	\$ 541,456
Personal Service Benefits	193,438
Operating Expenses	93,583
Insurance	111,888
Travel/Utilities/Services	49,805
Maintenance and Repairs	40,863
Materials and Supplies	30,922
Gasoline, Oil and Lubricants	29,302
Chemicals and Solvents	186,458
Depreciation	<u>100,988</u>
Total Program Expenses	<u>1,378,703</u>
General Revenues:	
Property Taxes	1,440,430
Interest Income	7,443
Intergovernmental	31,519
Net Unrealized Gain on SBA Investments	3,182
Other	<u>3,638</u>
Total General Revenues	<u>1,486,212</u>
Increase in Net Assets	107,509
Net Assets Beginning of Year	<u>3,609,119</u>
Net Assets End of Year	<u>\$ 3,716,628</u>

See accompanying notes to financial statements.

## **Fund Financial Statements**



# East Flagler Mosquito Control District

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**Balance Sheet**  
**Governmental Fund - General Fund**  
**September 30, 2011**

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**ASSETS**

Cash and Cash Equivalents	\$	200,992
Investments		2,268,375
Due from Other Governments		18,649
Prepaid Expenses		22,721
Inventory		72,692
Total Assets	\$	<u>2,583,429</u>

**LIABILITIES AND FUND BALANCES**

## Liabilities:

Accounts Payable	\$	9,364
Accrued Payroll and Benefits		18,541
Deferred Revenue		1,122
Total Liabilities		<u>29,027</u>

## Fund Balances:

Nonspendable - Inventory and Prepaids		95,413
Assigned for Future Capital Outlay/Contingencies		1,428,252
Unassigned		1,030,737
Total Fund Balances		<u>2,554,402</u>
Total Liabilities and Fund Balances	\$	<u>2,583,429</u>

See accompanying notes to financial statements.

# East Flagler Mosquito Control District

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## Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets September 30, 2011

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**Total Fund Balances-Governmental Fund** \$ 2,554,402

Amounts reported in the Statement of Net Assets are different because of the following:

1. Capital assets used in governmental activities are not financial resources and therefore not reported in the fund as assets:

Land		41,560
Buildings & improvements	\$ 426,690	
Less: accumulated depreciation	<u>(168,797)</u>	257,893
Equipment	1,713,964	
Less: accumulated depreciation	<u>(819,079)</u>	894,885

2. Compensated Absences not due and payable in the fund (32,112)

**Net Assets of Governmental Activities** \$ 3,716,628

See accompanying notes to financial statements.

# East Flagler Mosquito Control District

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## Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Fund - General Fund Year Ended September 30, 2011

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Revenues:	
Property Taxes	\$ 1,440,430
Interest Income	7,443
Intergovernmental	31,519
Net Unrealized Gain on SBA Investments	3,182
Other	3,638
Total Revenues	<u>1,486,212</u>
Expenditures:	
Personal Services	546,558
Personal Service Benefits	193,438
Operating Expenses	93,583
Insurance	111,888
Travel/Utilities/Services	49,805
Maintenance and Repairs	40,863
Materials and Supplies	30,922
Gasoline, Oil and Lubricants	29,302
Chemicals	186,458
Capital Outlay	12,966
Total Expenditures	<u>1,295,783</u>
Excess of Revenues Over Expenditures - Net Change in Fund Balance	190,429
Fund Balance Beginning of Year	<u>2,363,973</u>
Fund Balance End of Year	<u>\$ 2,554,402</u>

See accompanying notes to financial statements.

# East Flagler Mosquito Control District

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**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Fund - General Fund with the Statement of Activities  
September 30, 2011**

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Increase in Net Assets - Statement of Activities	\$ 107,509
Net Change in Fund Balance - General Fund	<u>190,429</u>
Difference	<u><u>\$ (82,920)</u></u>

A reconciliation of the difference is as follows:

- Governmental Fund (General Fund) reports capital outlays as expenditures. The Statement of Activities reports capital outlays as assets subject to depreciation over their estimated useful lives and recognizes depreciation expense:

Capital Outlay	\$ 12,966	
Depreciation Expense	<u>(100,988)</u>	\$ (88,022)

- Some expenses reported on the Statement of Activities are not fund expenditures normally liquidated with current financial resources:
 

Compensated Absences Payable	<u>5,102</u>
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Difference reconciled	<u><u>\$ (82,920)</u></u>
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See accompanying notes to financial statements.

East Flagler Mosquito Control District  
Notes to Financial Statements  
For the Year Ended September 30, 2011

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**NOTE 1. – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

East Flagler Mosquito Control District, (herein after referred to as “The District”), was created, as an "independent special district" on July 21, 1952, in accordance with Chapter 388, Florida Statutes. Pursuant to the results of a special election, the Board of County Commissioners of Flagler County, Florida, ORDERED the creation of the District at a special meeting held on July 21, 1952. The East Flagler Mosquito Control District was created to achieve and maintain such levels of arthropod control as will protect human health and safety and foster the quality of life of the people, promote the economic development of the state, and facilitate the enjoyment of its natural attractions by reducing the number of pestiferous and disease-carrying arthropods.

The District’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below:

**A. Reporting Entity**

The financial statements of the District consist only of the statement of East Flagler Mosquito Control District. The District has no oversight responsibilities for any other governmental entity since no other entities are considered to be controlled by or dependent upon the District. The District is a special-purpose independent governmental agency engaged in a single governmental program – mosquito control.

**B. Basis of Accounting/Measurement Focus**

In Accordance with Governmental Accounting Standards Board (GASB) *Statement No. 34 – Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments*, the basic financial statements include both the government-wide and fund financial statements.

**Government-Wide Financial Statements**

The government-wide financial statements consist of the statement of net assets and the statement of activities. Government-wide financial statements report information about the District as a whole similar to information for a private-sector business. The statement of net assets presents assets and liabilities with the net difference reported as net assets. The net assets reflect the financial position of the District as of the last day of the fiscal year. The statement of activities reports expenses and supporting sources of revenue during the fiscal year. This statement is similar to a statement of profit or loss in the private sector.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to information reported for a private-sector business. Accordingly, all of the District’s assets, liabilities, including depreciable capital assets, are included in the Statement of Net Assets. The Statement of Activities presents changes in net assets during the fiscal year. Since the District is a special-purpose independent governmental agency engaged in a single governmental program – mosquito control- the expenses shown on the Statement of Activities are for that function alone.

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**NOTE 1. – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Accounting/Measurement Focus (Continued)**

**Government-Wide Financial Statements (Continued)**

Under the accrual basis of accounting, revenues are recorded when earned. Expenses are recognized when incurred.

**Governmental Fund Financial Statements**

Fund financial statements are provided for governmental funds.

The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures.

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities are accounted for through governmental fund types. The measurement focus is upon determination of changes in financial position, rather than upon income determination. The following are the District's governmental fund types:

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources.

All governmental funds are accounted for on a "spending" or "current financial resources" measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. The reported undesignated fund balance (net current assets) is considered a measure of "available spendable or appropriable resources." Governmental fund operating statements present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. Instead, they are reported as liabilities in the statement of activities. Capital assets are recorded as expenditures in the general fund. In the statement of activities, they are reported as assets subject to depreciation.

The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Revenues are available if collected within sixty days of year end.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include accumulated vacation and sick leave pay which are not accrued, but rather reflected in the General Long-Term Debt Account Group.

East Flagler Mosquito Control District  
Notes to Financial Statements  
For the Year Ended September 30, 2011

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**NOTE 1. – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Accounting/Measurement Focus (Continued)**

**Governmental Fund Financial Statements (Continued)**

A reconciliation is provided that lists the differences between the net assets presented in the Government-wide Financial Statements and the net assets presented in the Governmental Fund Financial Statements.

**C. Budget Policy and Control**

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

-A tentative work plan and budget for the District is presented to the Board of Commissioners. On or before the 15<sup>th</sup> day of July of each year, the tentative work plan and budget are submitted to the Department of Agriculture and Consumer Services (DACS), Division of Inspection, Bureau of Entomology and Pest Control, for their review and approval.

-Not later than September 15 of each year, the District submits the certified budget to the Bureau of Entomology and Pest Control, DACS, for approval.

-Prior to October 1, the budget is legally enacted through passage of a resolution.

-Budget amendments are approved by the Board of Commissioners and submitted to the Bureau of Entomology and Pest Control, DACS, for approval. During the fiscal year, there were numerous budget amendments to maintain budgetary/management control.

-The budgeted revenue and expenditures shown in these financial statements includes all budget amendments approved by the District's Board of Commissioners and the Bureau of Entomology and Pest Control (DACS).

-The level of classification detail at which expenditures may not legally exceed appropriations is within budgetary accounts by fund.

-Appropriations lapse at the end of each year. An appropriation for capital or other programs shall be re-budgeted on an annual basis until the purpose for which it was made has been accomplished or abandoned.

-The budget for the General Fund that was either adopted or amended during the year by the Board of Commissioners was prepared on the same basis of accounting as used for financial reporting purposes, with the exception of inventory and other immaterial items. Under the budgetary basis, the District accounts for inventory of chemicals and fuels by the purchase method, whereby these items are recorded as expenditures when purchased.

East Flagler Mosquito Control District  
Notes to Financial Statements  
For the Year Ended September 30, 2011

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**NOTE 1. – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Net Assets**

Cash and cash equivalents:

Cash and cash equivalents are cash held in demand deposits at local banks.

Investments:

Investments consist of excess funds deposited with the Local Government Surplus Funds Trust Funds and Certificates of Deposit with original maturities of one year or more. The Local Government Surplus Trust Funds Investment Pool is a “2A7-like pool” which is stated at cost

Due from other governments:

Due from other governments represents amounts due from state and local governmental entities.

Inventory:

Inventory is valued at the lower of cost or market based on the first-in-first-out method (FIFO). Inventory is recorded under the consumption method. Cost is recorded as an expenditure/expense at the time inventory is used. The inventory balance, as reported in the fund financial statements, is offset by a fund balance reserve account in the General Fund to indicate it is not available for appropriation and not an expendable available financial resource of the General Fund.

Capital Assets:

In the government-wide financial statements, capital assets include land, buildings, building improvements, and equipment. According to the District’s capitalization policy, capital assets are capitalized and depreciated if they have a life of more than one year and cost \$1,000 or more. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In the government-wide financial statements, depreciation is recorded on capital assets using the straight-line method and the following useful lives:

Buildings	20-40 years
Building improvements	10-40 years
Equipment	5-20 years

Fixed assets purchased in the governmental fund are recorded as expenditures at the time of purchase.

Long Term Debt:

In the government-wide financial statements outstanding debt is reported as a liability. The governmental fund financial statements recognize loan proceeds as other financing sources.



**NOTE 1. – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Net Assets (Continued)**

Compensated Absences:

A liability for unused vacation and sick time for employees is calculated and reported in the government-wide financial statements. A liability for unused sick leave is accrued only to the extent that the leave will result in cash payments upon termination. A liability for these amounts is reported in governmental funds only if they have matured, due to employee retirement or resignation.

Fund Equity:

Beginning with the fiscal year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that are not in spendable form (such as prepaid expenses and advances due from other funds) or are required to be maintained intact.

Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Commissioners or as delegated to the District Director.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Such fund balance classifications are established to demonstrate the current unavailability for certain assets to pay current expenditures and budgetary fund segregation for future planning and contingencies. The following is a description of the nonspendable and assigned fund balances used by the District:

Nonspendable - inventory and prepaids (\$95,413) – Amounts set aside for chemical, fuel and tire inventories and prepaid insurance.

Assigned for future capital outlay/contingencies (\$1,428,252) – Amounts assigned for future capital outlay, payment of annual/sick leave, and contingencies.

Use of estimates:

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect certain assets, liabilities, revenues, expenditures/expenses and note disclosures. Actual results could differ from those estimates.

Use of Restricted Resources:

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

East Flagler Mosquito Control District  
Notes to Financial Statements  
For the Year Ended September 30, 2011

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**NOTE 2. – PROPERTY TAXES**

All real and tangible personal property taxes are due and payable November 1 of each year, or as soon thereafter as the assessment roll is certified by the Flagler County Property Appraiser (levy date). Flagler County mails a notice of the taxes due to each property owner on the assessment roll. The County collects the taxes for the District. Unpaid real and tangible personal property taxes due November 1 become delinquent April 1 of the following year. Collection dates are from November 1 to June 1 of the following year. Taxes may be paid upon receipt of such notice from the County, with discounts at the rate of four percent (4%) if paid in the month of November; three percent (3%) if paid in the month of December; two percent (2%) if paid in the month of January; and one percent (1%) if paid in the month of February.

Taxes paid during the month of March are without discount. On or before June 1 (lien date) of the year following the year in which taxes were assessed, tax certificates are sold on all real estate parcels with outstanding real property taxes.

The District makes an annual levy on property for general governmental services. Revenue recognized during this fiscal year amounted to \$1,440,430.

**NOTE 3. – CASH DEPOSITS AND INVESTMENTS**

**A. Deposits**

At September 30, 2011, the reconciled book cash balances with financial institutions amounted to \$200,992. Bank balances were \$200,992 as of September 30, 2011, and were entirely covered by federal depository insurance and are held in qualified public depositories pursuant to Florida Security for Public Deposits Act. Under the Act, the District's deposits in qualified public depositories are totally insured. All of the cash deposits of the District are placed with qualified financial institutions and are classified as category one credit risk, which means they are insured or collateralized.

**B. Investments**

State statutes govern the District's investment policies. The District is authorized by its Commission and Florida Statutes to invest available funds in the Local Government Surplus Funds Trust Funds.

The District invests excess cash in the SBA as described in Note 1. The SBA has established two different pools (Florida Prime and Fund B) whereby participants own a share of the respective pools and not the underlying securities.

Florida Prime – The Florida Prime (formerly known as Pool or Fund A) meets the requirements of and is classified as a "2a-7 like" pool. The SBA is not a registrant with, nor regulated by, the Securities and Exchange Commission or any other regulatory agency; however, the Florida Prime has adopted operating procedures consistent with the requirements for a 2a-7 like pool and the fair value of the position in the pool is equal to the value of the pool's shares. Such investments are stated at amortized cost in the accompanying financial statements. The Florida Prime is rated by Standard and Poors and is currently rated AAAM. The weighted average days to maturity, (WAM), at September 30, 2011 is 38 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM.

East Flagler Mosquito Control District  
Notes to Financial Statements  
For the Year Ended September 30, 2011

**NOTE 3. – CASH DEPOSITS AND INVESTMENTS (continued)**

Fund B - Fund B does not meet the requirements of SEC 2a7-like fund; therefore the SBA provides a Fair Value factor (i.e. total net asset value of Fund B divided by total participant balances of Fund B). At September 30, 2011, the Fair Value factor is .7568386. The District's position is determined by multiplying its Fund B account balance by the Fair Value factor to determine the fair value of its investment in Fund B. Fund B is not rated by any nationally recognized statistical rating agency. The weighted average life (WAL) at September 30, 2011 is 4.82 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL.

Neither the Florida Prime or Fund B has participated in a securities lending program in the year ended September 30, 2011. The SBA provides separate financial statements for the Florida Prime and Fund B (unaudited) as of and for the period ending June 30. It does not issue financial statements as of and for the period ending September 30.

On September 30, 2011 the District had \$2,249,213 invested in the Florida prime with no liquidity restrictions, and has \$25,317 remaining in Fund B, with a fair value of \$19,160. The unrealized loss of \$9,339 was recognized in the year ended September 30, 2010 and an unrealized gain in the amount of \$3,182 was recognized in the current year financial statements.

**NOTE 4. – DUE FROM OTHER GOVERNMENTS**

As of September 30, 2011, the District had receivables due from other governmental entities in the amount of \$18,649.

**NOTE 5. – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Land	\$ 41,560	\$	\$ 0	\$ 41,560
Depreciable Assets:				
Buildings & Improvements	426,690			426,690
Equipment	<u>1,700,998</u>	<u>12,966</u>	<u>0</u>	<u>1,713,964</u>
Total Depreciable Assets	<u>2,127,688</u>	<u>12,966</u>	<u>0</u>	<u>2,140,654</u>
Accumulated Depreciation:				
Buildings & Improvements	(154,633)	(14,164)		(168,797)
Equipment	<u>(732,255)</u>	<u>(86,824)</u>	<u>0</u>	<u>(819,079)</u>
Total Accumulated Depreciation	<u>(886,888)</u>	<u>(100,988)</u>	<u>0</u>	<u>(987,876)</u>
Capital Assets, net	\$ <u>1,282,360</u>	\$ <u>(88,022)</u>	\$ <u>0</u>	\$ <u>1,194,338</u>

Current-period depreciation expense charged to the Statement of Activities amounted to \$100,988.

East Flagler Mosquito Control District  
Notes to Financial Statements  
For the Year Ended September 30, 2011

**NOTE 6. – LONG-TERM LIABILITIES**

During the year ended September 30, 2011, the following changes occurred in the District’s long-term liabilities:

		Compensated Absences & Benefits
		<u>                    </u>
Balance September 30, 2010	\$	41,914
Increases		59,882
(Decreases)		<u>(64,984)</u>
Balance September 30, 2011	\$	<u>36,812</u>
Portion of long-term liabilities due in one year	\$	<u>4,700</u>

**NOTE 7. - PENSION PLAN**

In accordance with Florida law, the District participates in the Florida Retirement System (FRS), a cost-sharing, multiple-employer defined benefit public employee retirement system. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

This plan was created by the Florida Legislature and is administered by the State of Florida, Department of Administration. The payroll for the District’s employees covered by the plan for the year ended September 30, 2011 was \$524,596; the District’s total payroll was \$544,839.

All permanent full-time District employees are eligible to participate in the plan. The retirement age and other retirement benefits and options are stated in the Summary Plan Description issued by the Florida Retirement System.

The funding methods and the determination of benefits payable are provided in various acts of the State Legislature. These acts provided that employers, such as the District, were required to contribute 4.91% for regular employees, 11.14% for district elected officials and 4.42% for employees under the DROP Program. The District’s contributions include 1.11% for a post-retirement health insurance subsidy. As of July 1, 2011, employees are required to contribute 3% to the Florida Retirement System, except for those participating in the DROP Program.

The District contributed the following amounts for those employees covered under the Florida Retirement System:

<u>Year Ended</u> <u>September 30,</u>	<u>District's</u> <u>Contribution</u>	<u>Percent of</u> <u>Covered</u> <u>Payroll</u>
2011	\$ 50,933	9.00%
2010	\$ 51,270	10.00%
2009	\$ 51,025	10.39%
2008	\$ 47,677	10.00%
2007	\$ 52,158	9.97%
2006	\$ 42,491	8.92%

**East Flagler Mosquito Control District  
Notes to Financial Statements  
For the Year Ended September 30, 2011**

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**NOTE 7. - PENSION PLAN (continued)**

The plan's financial statements, investments, actuarial report and statistical tables, summary plan description and other information are presented in the plan's annual report. A copy of the plan's annual report can be obtained from the State of Florida, Division of Retirement, Tallahassee, Florida.

**NOTE 8. - OTHER POSTEMPLOYMENT BENEFITS**

District policy provides full-time employees the option to extend health insurance coverage into retirement upon reaching normal retirement age, (62 years of age or 30 years of service if hired prior to July 1, 2011; or 65 years of age or 33 years of service if hired on or after July 1, 2011; or as otherwise defined by the FRS). Employees pay 33% and the District pays 67 % of the monthly premiums for either single or family coverage. The program is currently financed on a pay as you go basis. No benefits were paid in the current year.

**NOTE 9. - ECONOMIC DEPENDENCY**

The District is dependent on real and personal property taxes levied on Flagler County residents to support its operational costs. A significant portion of the District's available assets are invested in the Local Government Surplus Funds Trust Funds.

**NOTE 10. - PROPERTY LEASE OBLIGATION**

On April 1, 2001, the District entered into a lease with Flagler County Airport. Under the terms of the lease the District rents the property for a period of thirty years. The current rental rate is \$815 a month due on the first day of the month. The rental rate is adjusted annually on October 1, based on the change in the Consumer Price Index, All Products, as published by the United States Department of Commerce. Rent in the amount of \$9,780 was paid for the year ended September 30, 2011.

The District leased this property and constructed a permanent structure for use as an aircraft hanger, storage facility and office.

The annual future minimum rental payments based on a 2.05% annual increase in the Consumer Price Index for the remainder of the lease would be as follows:

For the year Ended September 30	Future Minimum Rent Payment
2012	\$ 9,984
2013	10,189
2014	10,398
2015	10,611
2016	10,829
2017-2021	57,569
2022-2026	63,721
2027-2031	70,529
	\$ 243,829

**East Flagler Mosquito Control District  
Notes to Financial Statements  
For the Year Ended September 30, 2011**

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**NOTE 11. – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 12. – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date of the auditors report.

## **Required Supplementary Information**

# East Flagler Mosquito Control District

## Statement of Revenues, Expenditures and Changes in Fund Balance Budget (Budgetary Basis) and Actual - General Fund Year Ended September 30, 2011

	Required Supplementary Information			Variance Over\ (Under)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Property Taxes	\$ 1,426,810	\$ 1,426,810	\$ 1,440,430	\$ 13,620
Interest Income	5,500	5,500	7,443	1,943
Intergovernmental	19,250	21,450	31,519	
Other			3,638	3,638
Total Revenues	<u>1,451,560</u>	<u>1,453,760</u>	<u>1,483,030</u>	<u>19,201</u>
Expenditures:				
Personal Services	534,696	546,196	546,558	362
Personal Service Benefits	264,361	264,361	193,438	(70,923)
Operating Expenses	124,795	124,795	93,583	(31,212)
Insurance	186,700	186,700	111,888	(74,812)
Travel/Utilities/Services	57,408	59,408	49,805	(9,603)
Maintenance and Repairs	83,100	83,100	40,863	(42,237)
Materials and Supplies	65,295	66,495	30,922	(35,573)
Gas, Oil and Lubricants	45,320	45,320	29,302	(16,018)
Chemicals	268,282	270,482	164,654	(105,828)
Contingency	187,670	172,970		(172,970)
Capital Outlay	34,000	34,000	12,966	(21,034)
Total Expenditures	<u>1,851,627</u>	<u>1,853,827</u>	<u>1,273,979</u>	<u>(579,848)</u>
Excess (deficiency) of Revenues over Expenditures	(400,067)	(400,067)	209,051	-
Fund Balance Beginning of Year	2,363,973	2,363,973	2,363,973	-
Fund Balance End of Year	<u>\$ 1,963,906</u>	<u>\$ 1,963,906</u>	<u>\$ 2,573,024</u>	<u>\$ -</u>

\*\* See Notes to Required Supplementary Information -  
Note 1. - "Budgetary - GAAP Reporting Reconciliation"

See accompanying notes to financial statements.



East Flagler Mosquito Control District  
Notes to Required Supplementary Information  
For the Year Ended September 30, 2011

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**NOTE 1. – BUDGETARY-GAAP REPORTING RECONCILIATION**

The Statement of Revenue, Expenditures, and Changes in Fund Balance--Budget (Budgetary Basis) and Actual--General Fund, as shown in the required supplementary information, presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because of accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles (GAAP), a reconciliation of resultant basis, timing, perspective, and entity differences in the excess (deficiency) of revenue and other sources of financial resources over expenditures and other used of financial resources for the year ended September 30, 2011 is presented below:

	General Fund
Excess of revenue over expenditures (budgetary basis)	\$ 209,051
Adjustments - Increase / (Decrease):	
To adjust revenue for unrealized gain SBA	3,182
To adjust expenditures for reserve for inventory	<u>(21,804)</u>
Excess of Revenue over Expenditures (GAAP Basis)	<u>\$ 190,429</u>

# Lombardo Spradley Klein

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Board of Commissioners  
East Flagler Mosquito Control District  
Palm Coast, FL

We have audited the financial statements of the governmental activities of East Flagler Mosquito Control District, as of and for the year ended September 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 9, 2012. 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 East Flagler Mosquito Control District'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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

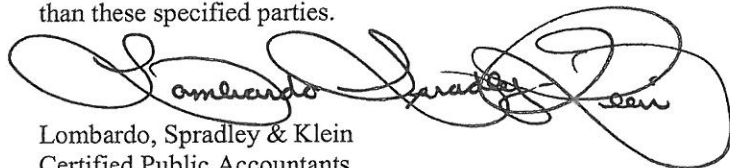
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a significant deficiency, or a combination of significant 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 the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance

As part of obtaining reasonable assurance about whether East Flagler Mosquito Control District'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 that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of management, the Board of Commissioners Department of Agriculture 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.



Lombardo, Spradley & Klein  
Certified Public Accountants

January 9, 2012

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# Lombardo Spradley Klein

Certified Public Accountants

## INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED BY CHAPTER 10.550, RULES OF THE FLORIDA AUDITOR GENERAL

To the Honorable Board of Commissioners  
East Flagler Mosquito Control District  
Palm Coast, FL

We have audited the financial statements of the governmental activities of East Flagler Mosquito Control District, as of and for the year ended September 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 9, 2012.

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. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in that report dated January 9, 2012, should be considered in conjunction with this management letter.

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

### Findings and Recommendations

None

### Compliance

None

### Other Comments

None

### Status of Prior Year Findings – Significant Deficiencies

#### Corrected Prior Year Finding - Improve Knowledge of Internal Control over Financial Reporting

Statement on Auditing Standards (SAS No.112) – *Communicating Internal Control Related Matters Identified in an Audit* addresses various control deficiencies in the design or operation of internal control and requires the auditor to communicate such deficiencies in writing. One of those controls addresses “the person responsible for accounting and reporting functions lacks the skills and knowledge to apply generally accepted accounting principles and governmental accounting standards in recording the entity's financial transactions or preparing its financial statements.”

The District hired a finance director who has an understanding of governmental accounting standards and generally accepted accounting principles.

To the Honorable Board of Commissioners  
East Flagler Mosquito Control District  
January 9, 2012  
Page 2

**Other Matters Required By the Rules of the Auditor General**

In accordance with the Rules of the Auditor General of the State of Florida, the following is noted:

1. The annual financial report for the East Flagler Mosquito Control District of Flagler County, Florida for the fiscal year ended September 30, 2011, filed with the Department of Financial Services pursuant to Section 218.32, Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2011.
2. The auditors applied financial condition assessment procedures per Auditor General Rule 10.554 (1)(i)7.c. and 10.556(7). It is management's responsibility to monitor the District'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.
3. Based on our audit procedures performed, no indication came to our attention that caused us to believe that the District met any of the conditions described in Florida Statutes Section 218.503(1).
4. East Flagler Mosquito Control District of Flagler County complied with Section 218.415, Florida Statutes with regards to the investment of public funds.

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, the Board of Commissioners, Department of Agriculture and the Florida Auditor General, and is not intended to be and should not be used by anyone other than those specified parties.



Lombardo, Spradley & Klein  
Certified Public Accountants

January 9, 2012