

**East Flagler Mosquito Control District  
Annual Financial Report  
For the Year Ended September 30, 2013**

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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, 2013, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes, design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

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, 2013, 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.

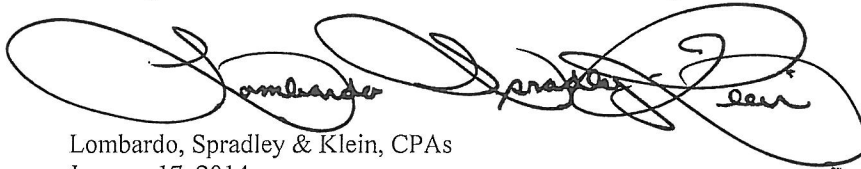
**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 24 through 25, 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 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2014 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.



The image shows three overlapping handwritten signatures in black ink. The signatures are written in a cursive style. The first signature on the left is 'Lombardo', the middle one is 'Spradley', and the one on the right is 'Klein'. The signatures are positioned above the typed name and date.

Lombardo, Spradley & Klein, CPAs  
January 17, 2014

# **Management Discussion and Analysis**

**East Flagler Mosquito Control District  
Management Discussion and Analysis  
For the Year Ended September 30, 2013**

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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, 2013. Please read it in conjunction with the District's financial statements, which begin on page 9.

**FINANCIAL HIGHLIGHTS**

In January 2012, the Governor executed an executive order to review all special districts in Florida. Independent mosquito control districts were among the first group to be evaluated. During the 2013 Legislative Session, the legislature drafted bills that would require counties to examine the operating efficiencies of independent mosquito control districts and determine if they could more efficiently operate the program. Fortunately, the legislation failed.

The District's Board of Commissioners continued its press for conservation and its emphasis on tight spending habits in an unpredictable climate. The budget was funded for an exceptional mosquito season and line items were funded based on this unpredictability. However, the press to conserve resulted in every line item coming in under budget (Statement of Revenues, Expenditures and Changes in Fund Balance-Budget (Budgetary Basis) and Actual, page 24).

The Board of Commissioners continued conservation efforts by authorizing a 2012/13 spending plan equal to the 2011/12 plan by adopting the rolled back millage rate of .2540. No new programs or new capital expenditures were approved. The Board approved a \$1,764,043 budget for the construction & consolidation of all district offices and staff at the Flagler County Airport. The Board also approved a piggyback contract with Flagler County Consultant, C&S Companies, for design and administration of the project, including the selection of a contractor. Flagler County has provided a location on the southwest corner of the airport.

At the conclusion of the District's fiscal year, September 30, 2013, the District had assets totaling \$3,945,448, liabilities of \$63,391, and net position of \$3,882,057 (Statement of Net Position).

District revenues were \$1,492,771, while expenses totaled \$1,324,061. Ad valorem taxes provided \$1,445,346; a slight increase over the preceding year. Net assets increased \$168,710 (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 \$9,538 remains frozen as of September 30, 2013. The current net asset value of the amount remaining in fund B is \$10,803. An unrealized gain of \$3,182 was recognized in the year ended September 30, 2011, an unrealized gain in the amount of \$5,093 was recognized in 2012 and an unrealized gain of \$2,328 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 Position (page 9) and the Statement of Activities (page 10) 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 11. 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 14 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.

**East Flagler Mosquito Control District  
Management Discussion and Analysis  
For the Year Ended September 30, 2013**

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**THE FINANCIAL STATEMENTS**

**The Statement of Net Position 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.

**Fund Financial Statements**

A fund is a grouping of related accounts that are 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 15.

**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 Position as of September 30,**

	Governmental Activities	
	2013	2012
Current and Other Assets	\$ 2,908,647	\$ 2,690,842
Capital Assets, net	1,036,801	1,116,599
Total Assets	<u>\$ 3,945,448</u>	<u>\$ 3,807,441</u>
Current Liabilities	23,637	59,955
Non-Current Liabilities	39,754	34,139
Total Liabilities	<u>63,391</u>	<u>94,094</u>
Net Position:		
Net Investment in Capital Assets	1,036,801	1,116,599
Restricted	24,963	46,139
Unrestricted	2,820,293	2,550,609
Total Net Position	<u>\$ 3,882,057</u>	<u>\$ 3,713,347</u>



**East Flagler Mosquito Control District  
Management Discussion and Analysis  
For the Year Ended September 30, 2013**

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

	<u>2013</u>	<u>2012</u>
General Revenues:		
Property Taxes	\$ 1,445,346	\$ 1,443,975
Interest Income	6,299	8,324
Intergovernmental	24,803	28,630
FEMA Reimbursement Grant	-	104,261
Other	<u>16,323</u>	<u>14,403</u>
Total General Revenues	<u>1,492,771</u>	<u>1,599,593</u>
Expenses - Mosquito Control		
Personal Services	511,638	570,913
Personal Service Benefits	158,929	163,240
Operating Expenses	556,371	771,108
Depreciation Expense	<u>97,123</u>	<u>97,613</u>
Total Expenses	<u>1,324,061</u>	<u>1,602,874</u>
Change in Net Position	168,710	(3,281)
Beginning Net Position	<u>3,713,347</u>	<u>3,716,628</u>
Ending Net Position	<u>\$ 3,882,057</u>	<u>\$ 3,713,347</u>

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

As of September 30, 2013, the District's cash and investments totaled \$2,790,027, representing 70% of total assets.

Current cash and investments exceeded total current liabilities by \$2,766,390 and total liabilities by \$2,726,636.

Total current assets exceeded total liabilities by \$2,845,256.

Net position on September 30, 2013 was \$3,882,057, an increase of \$168,710, or 4.35% more than the preceding year.

There was a reduction in the personal services and personal services benefits from 2012 to 2013, mainly due to the fact that the District has not filled the supervisor position that remains available.

Comparing 2013 expenditures to 2012, a significant decrease occurred in chemicals due to an unusually quiet winter and spring of 2013, and the lack of hurricane activity.

**Summary of Operations**

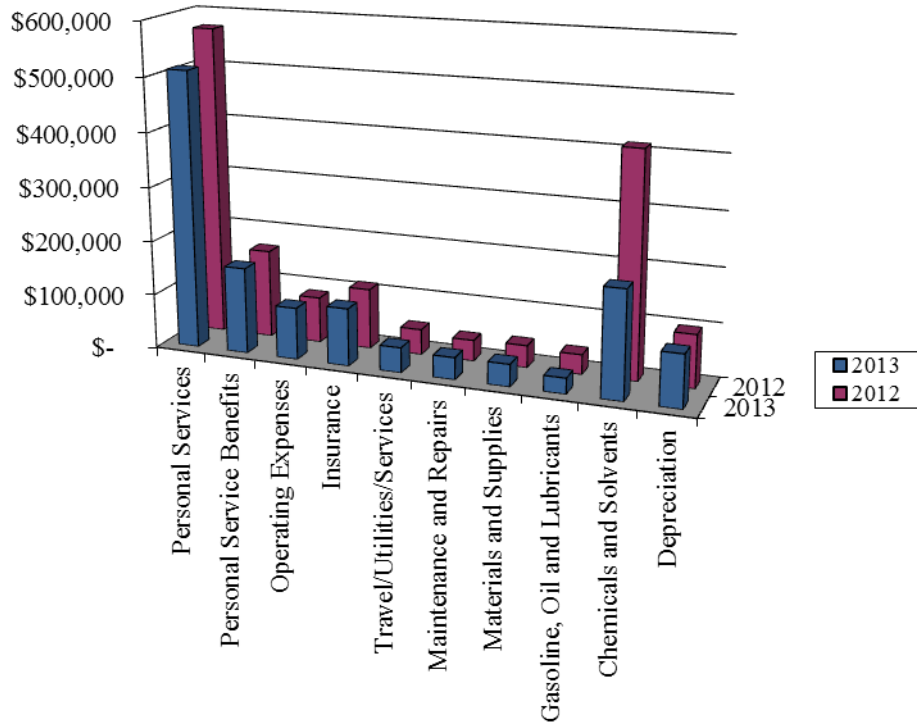
- In September 2012, the Board adopted a millage rate of .2540; a rate slightly less than the rolled back rate of .2560. The Board continued efforts to cut expenditures and operate efficiently. \$1,764,043 was budgeted for capital items and a new facility, but only \$17,325 of that was spent because the District was unable to finalize building plans and the location at the Flagler County Airport was not ready. The District also continued its focus on maintaining older equipment.
- The winter and spring of 2013 were relatively quiet caused by sporadic, light rains. In May, the District recorded nine inches of rain and mosquito populations significantly exceeded action thresholds. Both truck and aerial spraying were required. Above average rainfall from June through September produced six different broods of mosquitoes and frequent truck spraying. No hurricane activity resulted in reduced needs to apply aerial control products and a savings in the chemical budget.

**East Flagler Mosquito Control District  
Management Discussion and Analysis  
For the Year Ended September 30, 2013**

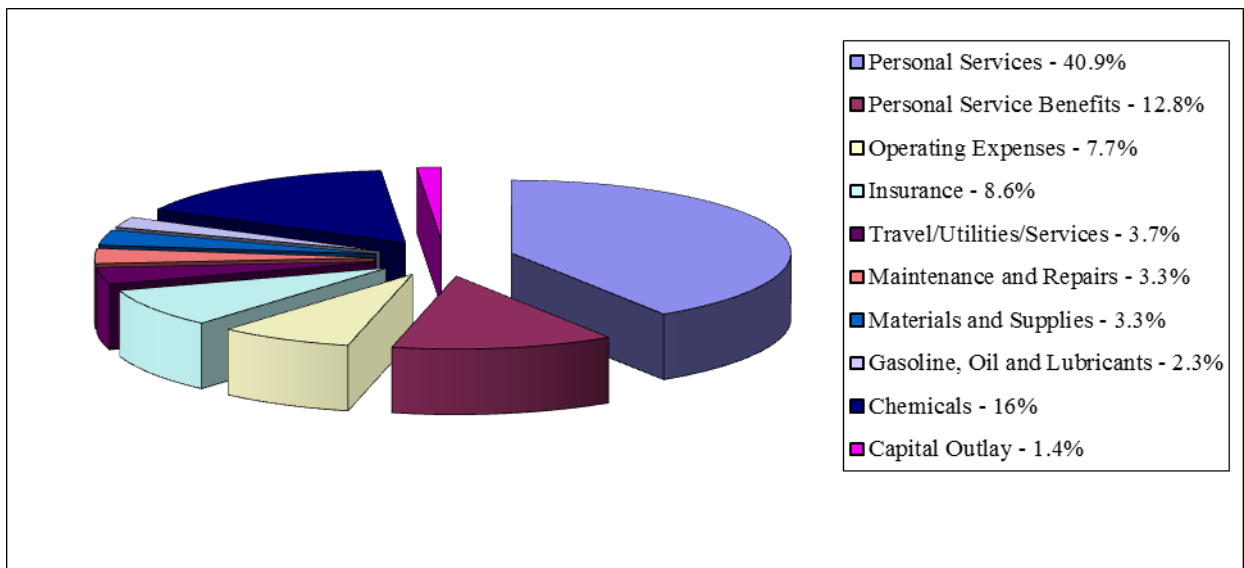
**An Analysis of the District's overall Financial Position and Results of Operations (continued)**

- Arbovirus activity began in April with a sentinel chicken testing positive for Eastern Equine Encephalitis (EEE), followed by four additional conversions to EEE and four to Highlands J Virus (HJ) in June and July. August and September produced two additional EEE positives and one West Nile Virus (WNV).

**Program Expenses**



**2013 Expenditures**



**East Flagler Mosquito Control District  
Management Discussion and Analysis  
For the Year Ended September 30, 2013**

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

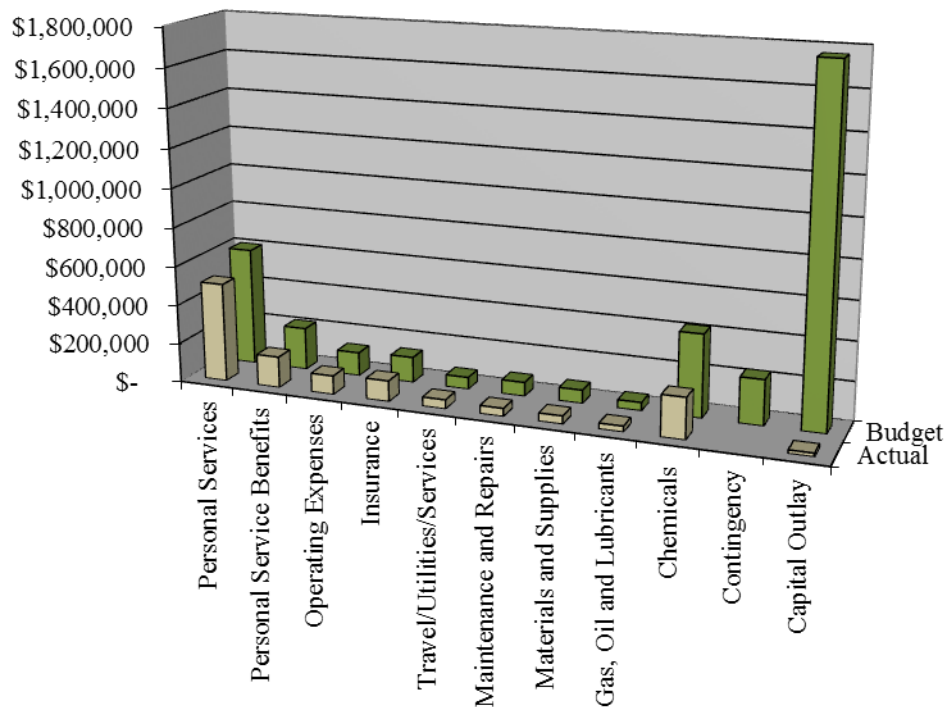
The governmental fund for the District is its only fund – the General Fund. The fund balance (as presented on the balance sheet on page 11) increased by \$254,123 for the year ended September 30, 2013.

The district collected \$1,445,346 in property taxes and all revenues totaled \$1,492,771. Expenditures were \$1,238,648 and revenues exceeded expenditures by \$254,123.

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, 2013, \$24,963 of the fund balance is restricted for the purposes outlined in Chapter 388 Florida Statutes.

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

**Budget to Actual Comparison**



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

Actual expenditures were \$98,487 under budget because the District anticipated hiring additional employees to replace the supervisor and a part-time inspector, who both retired in 2013. There was only one applicant for the supervisor position, who did not meet the qualifications and with the lesser active mosquito season there was no need to replace the part-timer. The District will continue its search for a supervisor replacement.

**East Flagler Mosquito Control District  
Management Discussion and Analysis  
For the Year Ended September 30, 2013**

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**An Analysis of Significant Variations in the Budget (continued)**

Personal Service Benefits

Actual expenditures were \$58,071 under budget and slightly less than the prior year. The District anticipated that these expenditures would increase and also factored in additional employees.

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. Because of the quiet winter this year and lack of summer storms, a significant difference resulted in chemical expenditures from the prior year. The current year mosquito activity resulted in a budget surplus of \$213,033.

Capital Outlay

There was a difference between the original budget and the final budget in the amount of \$435,499. The District moved funds from the unreserved fund balance into the capital outlay expenditure account. Actual expenditures were \$1,746,718 under budget. In hopes of taking advantage of the available location at the Flagler County Airport, the District anticipated building a new facility, which would combine the two current facilities into one, making our operations run more efficiently. Unfortunately, contracts & building plans could not be finalized by year end.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets

The District's capital assets as of September 30, 2013 reflect a current year investment of (\$79,798), net of accumulated depreciation. Capital outlays during the fiscal year consisted of the following purchases:

Poly Tank for Helicopter Spray System	\$3,420
Shed	\$2,609
4/18 HP Engines	\$4,544
4 Blowers	\$6,752

Two trucks and a trailer, which were all fully depreciated, were sold for a total of \$4,300 and removed from the property records.

**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 96% of the District's total revenue. Taxable Value of the District in 2013 was \$5.6 billion, remaining relatively equal to that of 2012. As a result, the millage rate is .2533 per thousand of taxable value, which is 0% of the rolled back rate.

Expectations are that property values will continue to stabilize, provided the economic recovery is sustainable. The Board enters the 2014 year with a budget 0.70% higher than the 2013 budget.

**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 Position

September 30, 2013

		<u>Governmental Activities</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents		\$ 142,843
Investments		2,647,184
Due from Other Governments		15,673
Prepaid Expenses		10,260
Inventory		<u>92,687</u>
Total Current Assets		<u>2,908,647</u>
Capital Assets:		
Land		41,560
Buildings and Improvements	\$ 429,299	
Less: Accumulated Depreciation	<u>(197,612)</u>	231,687
Vehicles and Equipment	1,715,912	
Less: Accumulated Depreciation	<u>(952,358)</u>	<u>763,554</u>
Total Capital Assets		<u>1,036,801</u>
Total Assets		<u>3,945,448</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable		\$ 4,876
Accrued Payroll and Benefits		<u>18,761</u>
Total Current Liabilities		<u>23,637</u>
Noncurrent Liabilities less Current Portion:		
Compensated Absences		<u>39,754</u>
Total Noncurrent Liabilities		<u>39,754</u>
Total Liabilities		<u>63,391</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets		1,036,801
Restricted - State Funds		24,963
Unrestricted		<u>2,820,293</u>
Total Net Position		<u>\$ 3,882,057</u>

See accompanying notes to financial statements.

# East Flagler Mosquito Control District

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## Statement of Activities

Year Ended September 30, 2013

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Human Services - Mosquito Control:	
Personal Services	\$ 511,638
Personal Service Benefits	158,929
Operating Expenses	95,799
Insurance	106,217
Travel/Utilities/Services	46,145
Maintenance and Repairs	40,504
Materials and Supplies	40,983
Gasoline, Oil and Lubricants	28,938
Chemicals and Solvents	197,785
Depreciation	97,123
	<hr/>
Total Program Expenses	1,324,061
	<hr/>
General Revenues:	
Property Taxes	1,445,346
Interest Income	6,299
Intergovernmental	24,803
Net Unrealized Gain on SBA Investments	2,328
Gain on Disposition of Assets	4,300
Other	9,695
	<hr/>
Total General Revenues	1,492,771
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Increase in Net Position	168,710
Net Position Beginning of Year	3,713,347
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Net Position End of Year	\$ 3,882,057
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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, 2013**

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**ASSETS**

Cash and Cash Equivalents	\$	142,843
Investments		2,647,184
Due from Other Governments		15,673
Prepaid Expenses		10,260
Inventory		92,687
Total Assets	\$	<u>2,908,647</u>

**LIABILITIES AND FUND BALANCES**

## Liabilities:

Accounts Payable	\$	4,876
Accrued Payroll and Benefits		18,761
Total Liabilities		<u>23,637</u>

## Fund Balances:

Nonspendable - Inventory and Prepaids		102,947
Assigned for Future Capital Outlay/Contingencies		2,096,719
Unassigned		685,344
Total Fund Balances		<u>2,885,010</u>
Total Liabilities and Fund Balances	\$	<u>2,908,647</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 Position September 30, 2013

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**Total Fund Balances-Governmental Fund** \$ 2,885,010

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	\$ 429,299	
Less: accumulated depreciation	<u>(197,612)</u>	231,687
Equipment	1,715,912	
Less: accumulated depreciation	<u>(952,358)</u>	763,554

2. Compensated Absences not due and payable in the fund (39,754)

**Net Position of Governmental Activities** \$ 3,882,057

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, 2013

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Revenues:	
Property Taxes	\$ 1,445,346
Interest Income	6,299
Intergovernmental	24,803
Net Unrealized Gain on SBA Investments	2,328
Gain on Disposition of Assets	4,300
Other	9,695
Total Revenues	<u>1,492,771</u>
Expenditures:	
Personal Services	506,023
Personal Service Benefits	158,929
Operating Expenses	95,799
Insurance	106,217
Travel/Utilities/Services	46,145
Maintenance and Repairs	40,504
Materials and Supplies	40,983
Gasoline, Oil and Lubricants	28,938
Chemicals	197,785
Capital Outlay	17,325
Total Expenditures	<u>1,238,648</u>
Excess of Revenues Over Expenditures - Net Change in Fund Balance	254,123
Fund Balance Beginning of Year	<u>2,630,887</u>
Fund Balance End of Year	<u>\$ 2,885,010</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, 2013

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<b>Increase in Net Position - Statement of Activities</b>	\$	168,710
<b>Net Change in Fund Balance - General Fund</b>		<u>254,123</u>
Difference	\$	<u><u>(85,413)</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	\$	17,325	
Depreciation Expense		<u>(97,123)</u>	\$ (79,798)

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

Compensated Absences Payable		<u>(5,615)</u>
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Difference reconciled	\$	<u><u>(85,413)</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, 2013**

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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 well as 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). 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 position 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 position presents assets and liabilities with the net difference reported as net position. The net position reflects 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 Position. The Statement of Activities presents changes in net position 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.

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.

**East Flagler Mosquito Control District  
Notes to Financial Statements  
For the Year Ended September 30, 2013**

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

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.

A reconciliation is provided that lists the differences between the net position presented in the Government-wide Financial Statements and the net position 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 Agricultural Environmental Services, for their review and approval.
- Not later than September 30<sup>th</sup> of each year, the District submits the certified budget to the Bureau of Entomology and Pest Control, DACS, for approval.
- Prior to October 1<sup>st</sup> 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 two budget amendments to adjust DACS fund balance to audited financial statements.

**East Flagler Mosquito Control District  
Notes to Financial Statements  
For the Year Ended September 30, 2013**

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

- 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 and was prepared on the same basis of accounting as used for financial reporting purposes, with the exception of inventory & 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.

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

**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 Trust Funds. 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.



**East Flagler Mosquito Control District  
Notes to Financial Statements  
For the Year Ended September 30, 2013**

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

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.

**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 2012, 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 by the Board.

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 (\$102,947) – Amounts set aside for chemical, fuel and tire inventories and prepaid insurance.

Assigned for future capital outlay/contingencies (\$2,096,719) – Amounts assigned for future capital outlay, payment of annual/sick leave, and contingencies.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers unrestricted funds to have been spent first. When an expenditure is incurred for which assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of unassigned funds, and then assigned funds, as needed, unless the Board has provided otherwise in its assignment actions.

**East Flagler Mosquito Control District  
Notes to Financial Statements  
For the Year Ended September 30, 2013**

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

**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.

**NOTE 2 – PROPERTY TAXES**

All real and tangible personal property taxes are due and payable November 1<sup>st</sup> 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<sup>st</sup> become delinquent April 1<sup>st</sup> of the following year. Collection dates are from November 1<sup>st</sup> to June 1<sup>st</sup> 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<sup>st</sup> (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 \$1,445,346.

**NOTE 3 – CASH DEPOSITS AND INVESTMENTS**

**A. Deposits**

At September 30, 2013, the reconciled book cash balances with financial institutions amounted to \$142,843. Bank balances were \$143,255 as of September 30, 2013, 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, 2013 is 44 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, 2013**

**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, 2013, the Fair Value factor is 1.13262284. 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, 2013 is 4.04 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL.

Neither the Florida Prime nor Fund B has participated in a securities lending program in the year ended September 30, 2013. The SBA provides separate financial statements for the Florida Prime and Fund B (unaudited) as of and for the period ending June 30, 2013. It does not issue financial statements as of and for the period ending September 30<sup>th</sup>.

On September 30, 2013 the District had \$2,636,381 invested in the Florida prime with no liquidity restrictions, and has \$9,538 remaining in Fund B, with a fair value of \$10,803. The unrealized gain in the amount of \$2,328 was recognized in the current year financial statements.

**NOTE 4 – DUE FROM OTHER GOVERNMENTS**

As of September 30, 2013, the District had receivables due from other governmental entities in the amount of \$15,673 for excess fees and delinquent taxes.

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2013, 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	2,609		429,299
Equipment	1,733,838	14,716	(32,642)	1,715,912
Total Depreciable Assets	<u>2,160,528</u>	<u>17,325</u>	<u>(32,642)</u>	<u>2,145,211</u>
Accumulated Depreciation:				
Buildings & Improvements	(182,962)	(14,650)		(197,612)
Equipment	(902,527)	(82,473)	32,642	(952,358)
Total Accumulated Depreciation	<u>(1,085,489)</u>	<u>(97,123)</u>	<u>32,642</u>	<u>(1,149,970)</u>
Capital Assets, net	<u>\$ 1,116,599</u>	<u>\$ (79,798)</u>	<u>\$ 0</u>	<u>\$ 1,036,801</u>

Current-period depreciation expense charged to the Statement of Activities amounted to \$97,123.

**East Flagler Mosquito Control District  
Notes to Financial Statements  
For the Year Ended September 30, 2013**

**NOTE 6 – LONG-TERM LIABILITIES**

During the year ended September 30, 2013, the following changes occurred in the District’s long-term liabilities:

		Compensated Absences & Benefits
Balance September 30, 2012	\$	61,139
Increases		59,410
(Decreases)		(76,361)
Balance September 30, 2013	\$	44,188
Portion of long-term liabilities due in one year	\$	4,434

**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, 2013 was \$511,765; the District’s total payroll was \$528,465.

All permanent full-time, regular part-time employees and seasonal positions are eligible to participate in the plan. The retirement age and other retirement benefits & 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 5.18% from October 1, 2012 to June 30, 2013 and 6.95% from July 1, 2013 to September 30, 2013 for regular employees; 10.23% from October 1, 2012 to June 30, 2013 and 33.03% from July 1, 2013 to September 30, 2013 for elected officials; 5.44% from October 1, 2012 to June 30, 2013 and 12.84% from July 1, 2013 to September 30, 2013 for employees under the DROP Program; and 1.60% from October 1, 2012 to June 30, 2013 and 3.39% from July 1, 2013 to September 30, 2013 for retirees. 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 and retirees.

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>
2013	\$ 29,987	5.86%
2012	\$ 26,874	5.00%
2011	\$ 50,933	9.00%
2010	\$ 51,270	10.00%
2009	\$ 51,025	10.39%
2008	\$ 47,677	10.00%

**East Flagler Mosquito Control District  
Notes to Financial Statements  
For the Year Ended September 30, 2013**

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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 - 457 PLANS**

East Flagler Mosquito Control District has a fiduciary responsibility regarding its 457 plan administered by Nationwide Retirement Solutions. As of December 31, 2013, Plan Assets equaled \$417,420 and the amount due to employees equaled \$417,420.

**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 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 \$856 a month, due on the first day of the month. The rental rate is adjusted annually on October 1<sup>st</sup>, based on the change in the Consumer Price Index-All Products, as published by the United States Department of Labor, Bureau of Labor Statistics. Rent in the amount of \$10,272 was paid for the year ended September 30, 2013.

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

The annual future minimum rental payments based on a 1.70% annual increase in the Consumer Price Index for the remainder of the lease would be as follows:

<u>For the year Ended September 30</u>	<u>Future Minimum Rent Payment</u>
2014	\$ 10,449
2015	10,672
2016	10,807
2017	10,991
2018	11,178
2019-2023	58,805
2024-2028	63,974
2029-2031	41,054
	<u>\$ 217,885</u>

**East Flagler Mosquito Control District  
Notes to Financial Statements  
For the Year Ended September 30, 2013**

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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, 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, 2013

	Required Supplementary Information			Variance Over\ (Under)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Property Taxes	\$ 1,426,810	\$ 1,426,810	\$ 1,445,346	\$ 18,536
Interest Income	5,500	5,500	6,299	799
Intergovernmental	19,250	19,250	24,803	5,553
Other			9,695	9,695
Total Revenues	<u>1,451,560</u>	<u>1,451,560</u>	<u>1,486,143</u>	<u>34,583</u>
Expenditures:				
Personal Services	604,510	604,510	506,023	(98,487)
Personal Service Benefits	217,000	217,000	158,929	(58,071)
Operating Expenses	116,010	121,010	95,799	(25,211)
Insurance	130,700	130,700	106,217	(24,483)
Travel/Utilities/Services	58,054	61,054	46,145	(14,909)
Maintenance and Repairs	71,100	71,100	40,504	(30,596)
Materials and Supplies	67,460	67,960	40,983	(26,977)
Gas, Oil and Lubricants	41,865	41,865	28,938	(12,927)
Chemicals	301,155	421,986	208,953	(213,033)
Contingency	236,217	231,217		(231,217)
Capital Outlay	1,328,544	1,764,043	17,325	(1,746,718)
Total Expenditures	<u>3,172,615</u>	<u>3,732,445</u>	<u>1,249,816</u>	<u>(2,482,629)</u>
Excess (deficiency) of Revenues over Expenditures	(1,721,055)	(2,280,885)	236,327	-
Fund Balance Beginning of Year	2,630,887	2,630,887	2,630,887	-
Fund Balance End of Year	<u>\$ 909,832</u>	<u>\$ 350,002</u>	<u>\$ 2,867,214</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, 2013**

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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 the 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 uses of financial resources for the year ended September 30, 2013 is presented below:

	<u>General Fund</u>
Excess of revenue over expenditures (budgetary basis)	\$ 240,627
Adjustments - Increase / (Decrease):	
To adjust revenue for unrealized gain SBA	2,328
To adjust expenditures for reserve for inventory	<u>11,168</u>
 Excess of Revenue over Expenditures (GAAP Basis)	 \$ <u><u>254,123</u></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, 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, the financial statements of the governmental activities of East Flagler Mosquito Control District, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents and have issued our report thereon dated January 17, 2014.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered East Flagler Mosquito Control District's internal control over financial reporting (internal control) To determine the audit procedures that are appropriate in the circumstances 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.

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 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. 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.

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. However, material weaknesses may exist that have not been identified.

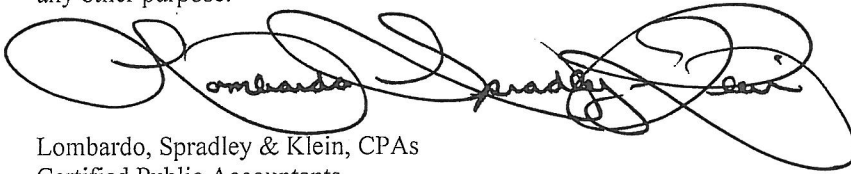
### Compliance and Other Matters

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*.

To the Honorable Board of Commissioners  
East Flagler Mosquito Control District  
January 17, 2014  
Page 2

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Districts' internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Lombardo, Spradley & Klein, CPAs". The signature is highly stylized and cursive, with large loops and flourishes.

Lombardo, Spradley & Klein, CPAs  
Certified Public Accountants  
January 17, 2014

# 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, 2013, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 17, 2014.

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 Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report dated January 17, 2014, 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**

None

**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, 2013, 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, 2013.

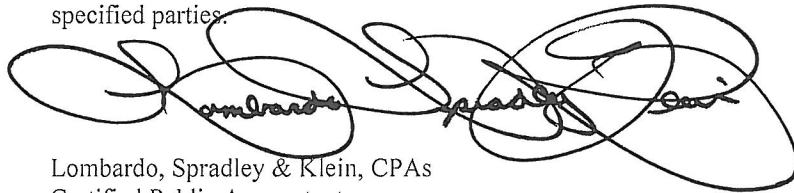
To the Honorable Board of Commissioners  
East Flagler Mosquito Control District  
January 17, 2014  
Page 2

2. The auditors applied financial condition assessment procedures per Auditor General Rule 10.556 (8). 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.

A large, stylized handwritten signature in black ink, appearing to read "Lombardo, Spradley & Klein". The signature is highly cursive and loops around itself.

Lombardo, Spradley & Klein, CPAs  
Certified Public Accountants

January 17, 2014