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Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Federal Awards Program and State Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General

Hendry County, Florida

Compliance

We have audited the compliance of the Hendry County, Florida, (the County), with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, and the requirements described in the Executive Office of the Governor's State projects Compliance Supplement, that are applicable to each of its federal awards programs and state projects for the year ended September 30, 2007. The County's federal awards programs and state projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its federal awards programs and state projects is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Not-for-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a federal awards program or a state project occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its federal awards programs and state projects for the year ended September 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General and which are described in the accompanying schedule of findings and questioned costs as item 2007-1.

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program or state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program or state project that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be a material weaknesses, as defined above.

Hendry County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

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

Ashley E. Brown

August 20, 2008

HENDRY COUNTY, FLORIDA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 AND STATE FINANCIAL ASSISTANCE
 For the Year Ended September 30, 2007

FEDERAL / STATE AGENCY <i>Pass-through entity</i> Federal Program / State Project	CFDA CSFA NUMBER	GRANT/ CONTRACT NUMBER	EXPENDITURES
<u>U.S. DEPARTMENT OF AGRICULTURE, RURAL UTILITIES SERVICE</u>			
Water and Waste Disposal Systems for Rural Communities	10.760		\$ 1,019,090
Total U.S. Department of Agriculture, Rural Utilities Service			<u>1,019,090</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
LMA Runway Widening	20.106	412244-1-9401	4,418
Airglades A/P R/W Safety Improvement	20.106	414398-1-9402	1,583,196
<i>Passed through State of Florida, Department of Transportation</i>			
Roadway Safety Program	20.600	RS-07-15-06	18,380
LAP Agreement-Construct Sidewalks in Hendry County	20.205	FPN412565-1	242,541
LAP Agreement-Construct Sidewalks in Hendry County	20.205	FPN412565-2	18,270
LAP Agreement-Landscaping at Hendry/Collier County Line	20.205	FPN412628-1	4,100
LAP Agreement-Sidewalk Design & Construction	20.205	FPN404681-1	12,861
LAP Agreement-Resurface 2.75 Miles South From Keri Rd to Keri Rd	20.205	FPN418936-1	49,500
LAP Agreement-Landscaping at Various Locations in LaBelle	20.205	FPN410636-1	17,500
LAP Agreement-Landscaping at Glades County Line	20.205	FPN412629-1	4,100
LAP Agreement-Sidewalk Design	20.205	FPN408091-1	5,178
Total U.S. Department of Transportation			<u>1,960,044</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
CDBG Housing Grant	14.228	06DB-6B-09-36-01-H03	32,608
CDBG Disaster Relief Grant	14.228	07-DB-3V-09-36-01-Z10	180,497
Section 8 Voucher Program	14.856	A3405	207,095
<i>Passed through State of Florida, Department of Community Affairs</i>			
Hurricane Housing Recovery Grant	14.228	07-DB-3V-09-36-01-Z10	308,019
Total U.S. Department of Housing and Urban Development			<u>728,219</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Bulletproof Vest	16.607	none	2,700
Public Safety Partnership and Community Policing Grants	16.710	2006CKWX0323	147,528
Housing Federal Prisoners	16.602	J-B18M719	24,786
<i>Passed through State of Florida, Department of Law Enforcement</i>			
<i>Edward Byrne Memorial State and Local Law Enforcement Assistance</i>			
<i>Formula Grant Program</i>			
Parent Education	16.579	07-JAGC-HEND-2-P3-218	26,279
<i>Passed through State of Florida, Department of Juvenile Justice</i>			
State Criminal Alien Assistance Program Grant	16.606	2007-AP-BX-0156	25,857
Total U.S. Department of Justice			<u>227,150</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Disaster Grants - Public Assistance	97.036	none	56,127
Offense Domestic Preparedness	97.067	07-DS-5N-09-36-01	2,919
Total U.S. Department of Homeland Security			<u>59,046</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Community Services Block Grant	93.569	07-SB-5Z-09-36-01-011	77,688
Child Support Enforcement	93.563	none	32,332
Total U.S. Department of Health and Human Services			<u>110,020</u>
<u>ELECTION ASSISTANCE COMMISSION</u>			
<i>Passed through State of Florida, Department of State, Division of Elections</i>			
Voter Education-Help America Vote	90.401	none	1,664
Total Election Assistance Commission			<u>1,664</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 4,105,233

HENDRY COUNTY, FLORIDA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 AND STATE FINANCIAL ASSISTANCE
 For the Year Ended September 30, 2007

	<u>CFDA CFSA NUMBER</u>	<u>GRANT/ CONTRACT NUMBER</u>	<u>EXPENDITURES</u>
<u>STATE OF FLORIDA</u>			
<u>STATE COURTS SYSTEM</u>			
Small County Courthouse Facilities	22.004	3162	\$ 35,346
<u>STATE OF FLORIDA</u>			
<u>ENVIRONMENTAL PROTECTION AGENCY</u>			
Small County Consolidated Grants	37.012	SC-517	202,497
<u>STATE OF FLORIDA</u>			
<u>DEPARTMENT OF COMMUNITY AFFAIRS</u>			
Growth Management Implementation	52.033	06-DR-73-09-36-01-113	11,988
<u>STATE OF FLORIDA</u>			
<u>DEPARTMENT OF CONSUMER AFFAIRS</u>			
Emergency Management Preparedness & Assistance Base Grant	52.008	07-BG-04-09-36-01-318	115,805
<u>STATE OF FLORIDA</u>			
<u>FLORIDA HOUSING FINANCE CORPORATION</u>			
SHIP Grant - Local Affordable Housing Assistance Trust Fund	52.901	none	328,041
<u>STATE OF FLORIDA</u>			
<u>DEPARTMENT OF TRANSPORTATION</u>			
Traffic Signal Maint & Comprehensive Agreement	55.004	FM#412670.1	2,330
CR78 & ST RD 29	55.004	FM#410005-1-5401	76,550
New Align CR 78 & ST RD 29	55.004	FM#408063-2-5801	82,621
Runway Widening LaBelle Airport	55.004	FM#412244-1-9401	116
Blumberg/Rogers Road	55.004	FM#418454-1-5801	93,230
Airglades Airport Entrance Road	55.004	FM#407921-1-9401	11,863
LaBelle Airport Commercial PK Feisibility Study	55.004	FM#206027-1	60,355
LaBelle Airport Master Plan Update	55.004	FM#410793-1-9401	3,542
Improve Runway 13/31 Safety Area	55.004	FM#414398-1-9402	41,663
Construct Airglades Entrance Sign	55.004	FN#410794-1-9401	48,000
Landscape Install & Maint for SR 80 at Lee Co Line	55.004	FM#408000-1-5801	23,800
Executed Smail Co Outreach Program-CR833 to Dooley Rd	55.004	FM#418853-1-5801	41,000
Helms Road PD&E	55.004	FM#419948-1-2801	146,032
Highway Landscape Installation	55.004	FM#407987-2-5801	58,201
Total Department of Transportation			689,303
<u>STATE OF FLORIDA</u>			
<u>DEPARTMENT OF HEALTH</u>			
Emergency Medical Service Matching Grant	64.003	C6026	11,193
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			\$ 1,394,173

HENDRY COUNTY, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
SEPTEMBER 30, 2007

NOTE 1 – Purpose of Schedule

The Schedule of Expenditures of Federal Awards and State Financial Assistance (the Schedule) is a supplementary schedule to the County's basic financial statements and is prepared for purposes of additional analysis. The Schedule is required by the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *Florida Single Audit Act*.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Presentation

Federal Financial Assistance – Pursuant to the Single Audit Act of 1984 (Public Law 98-502), the Single Audit Act Amendments of 1996 (Public Law 104-156), and OMB Circular A-133, federal financial assistance is defined as assistance provided by a federal agency, rather directly or indirectly, that non federal entities receive or administer, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property interest subsidies, insurance, or direct appropriations.

State Financial Assistance – Pursuant to Florida Single Audit Act (Section 215.97, Florida Statutes) and Chapter 27D-1, Rules of the Executive Office of the Governor, Florida Administrative Code, state financial assistance is defined as assistance from state resources, not including federal financial assistance and state matching, provided to nonstate entities to carry out a state project. State Financial Assistance includes all types of state assistance as stated in the rules of the Executive Office of the Governor, established in consultation with the Comptroller and appropriate state agencies that provide state financial assistance. It includes state financial assistance provided directly by state awarding agencies or indirectly by recipients of state awards. It does not include procurement contracts used to buy goods or services from vendors.

Catalog of Federal Domestic Assistance – OMB Circular A-133 requires the Schedule to present the total expenditures for each of the County's federal financial assistance programs as identified in the Catalog of Federal and Domestic Assistance (CFDA). Federal financial assistance programs that have not been assigned a CFDA number are indicated with a "N/A".

Catalog of State Financial Assistance – Chapter 3A-5, Rules of the Florida Department of Banking and Finance, Florida Administrative Code requires the Schedule to present the total state financial assistance expended for each individual state project as identified in the Catalog of State Financial Assistance (CSFA). The CSFA is a comprehensive listing of state projects. State financial assistance projects that have not been assigned a CSFA number are indicated with a "N/A".

HENDRY COUNTY, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE (CONTINUED)
SEPTEMBER 30, 2007

Type A and Type B Programs

The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the levels of expenditures to be used in defining Type A and Type B federal financial assistance programs. Type A assistance programs for the County are those programs that exceeded \$300,000 for the year ended September 30, 2007.

Each nonstate entity that expends a total amount of state financial assistance equal to or in excess of \$500,000 in any fiscal year is required to have a single audit for such fiscal year in accordance with the requirements of the Florida Single Audit Act (Section 215.97, Florida Statutes).

Reporting Entity

The Schedule includes all federal assistance programs and state projects administered by Hendry County, Florida, and included in the County's Annual Financial Report.

Basis of Accounting

Both federal and state financial assistance expenditures included in the Schedule are reported using the accrual basis of accounting.

HENDRY COUNTY, FLORIDA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FEDERAL PROGRAMS AND STATE PROJECTS
 For the Year Ended September 30, 2007

Section I – Summary of Auditor’s Report

Financial Statements

Type of auditor’s report issued; Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
 - Reportable condition(s) identified that are not considered to be material weakness(es)? _____ yes X none reported
- Noncompliance material to financial statements noted? _____ yes X no

Federal Awards and State Financial Assistance

Internal control over major programs and state projects:

- Material weakness(es) identified? _____ yes X no
- Reportable condition(s) identified that are not considered to be material weakness(es)? X yes _____ none reported

Type of auditor’s report issued on compliance for major federal programs and state projects: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133 or Chapter 10.554 (1)(g)4., Rules of the Auditor General? _____ X yes _____ no

HENDRY COUNTY, FLORIDA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FEDERAL PROGRAMS AND STATE PROJECTS (Continued)
 For the Year Ended September 30, 2007

Section I – Summary of Auditor’s Report (Continued)

Identification of major federal programs and state projects:

CFDA Number(s)	Name of Federal Program or Cluster
20.106	Aviation Improvement Program
10.760	Water and Waste Disposal Systems for Rural Communities
14.228	Hurricane Housing Recovery Grant
CSFA Number(s)	Name of State Project
52.901	State Housing Initiatives Partnership Program
22.004	Small County Courthouse Facilities

Dollar threshold used to distinguish
 between Type A or Type B:

Major Federal Programs	<u>\$ 300,000</u>
Major State Projects	<u>\$ 300,000</u>

Auditee qualified as low-risk auditee? X yes no

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with Section 510(a) of OMB Circular A-133.

There were no matters reported in the prior year Schedule of Findings and Questioned Costs required to be reported in accordance with Section 510(a) of OMB Circular A-133.

HENDRY COUNTY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL PROGRAMS AND STATE PROJECTS (Continued)
For the Year Ended September 30, 2007

Section IV – Findings and Questioned Costs – Major State Projects

State of Florida – Florida Housing Finance Corporation (the Corporation)
CSFA#52.901 State housing Initiatives Partnership Program (SHIP)

Reportable Condition:

2007-1 Administrative expenses

Criteria: In accordance with Florida Statute 420.9075(7) Local Housing Assistance Plans Partnerships, The moneys deposited in the local housing assistance trust fund shall be used to administer and implement the local housing assistance plan. The cost of administering the plan may not exceed 5 percent of the local housing distribution moneys and program income deposited into the trust fund. A county or an eligible municipality may not exceed the 5-percent limitation on administrative costs, unless its governing body finds, by resolution, that 5 percent of the local housing distribution plus 5 percent of program income is insufficient to adequately pay the necessary costs of administering the local housing assistance plan. The cost of administering the program may not exceed 10 percent of the local housing distribution plus 5 percent of program income deposited into the trust fund, except that small counties, as defined in s. 120.52(17), and eligible municipalities receiving a local housing distribution of up to \$350,000 may use up to 10 percent of program income for administrative costs.

Condition: The County exceeded the administrative expense limits set by Florida Statute 420.9075(7) Local Housing Assistance Plans; Partnerships.

Effect: The County was not in compliance with Florida Statute 420.9075(7) Local Housing Assistance Plans; Partnerships

Cause: There does not appear to be adequate oversight to ensure that the grant administrators comply with grant requirements.

Recommendations: The County should implement controls to ensure that grant administrators comply with grant requirements and understand the importance of such requirements.

Management's Response: The County will review all statutes associated with Local Housing Plans Partnerships grant and implement controls and resolution if necessary to comply with all grant requirements.

HENDRY COUNTY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL PROGRAMS AND STATE PROJECTS (Continued)
For the Year Ended September 30, 2007

Section V – Other Issues

There is no Summary Schedule of Prior Audit Findings (AG Rule 10.557(3)(d)5) because there were no prior audit findings related to Federal Programs or State projects.

No corrective action plan is required (AG Rule 10.557(3)(d)6) because there were no findings required to be reported under the Federal or Florida Single Audit Acts.