

Franklin County, Florida
Annual Financial Statements
September 30, 2010

BOARD OF COUNTY COMMISSIONERS

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Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements	
Balance Sheet – Governmental Funds	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	18
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Fines and Forfeitures Fund	19
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Local Option Gas Tax Fund	20
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – State Housing Initiatives Partnership Fund	21
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Hospital Trust Fund	22
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Boating Improvement Fund	23
Statement of Net Assets – Proprietary Fund	24
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Fund	25
Statement of Cash Flows – Proprietary Fund	26
Statement of Fiduciary Net Assets – Fiduciary Funds	28

Basic Financial Statements (Continued)

Notes to Financial Statements	29
-------------------------------	----

Required Supplementary Information

Schedule of Funding Progress for the Retiree's Health Insurance Other Post Employment Benefits Plan	56
---	----

Schedule of Employer Contributions for the Retiree's Health Insurance Other Post Employment Benefits Plan	56
---	----

Combining Financial Statements

Combining Balance Sheet – Nonmajor Governmental Funds	57
---	----

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	61
---	----

Combining Balance Sheet – Agency Funds	65
--	----

Compliance Section

Independent Auditor's Management Letter	67
---	----

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	69
---	----

Independent Auditor's Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General	71
--	----

Schedule of Expenditures of Federal Awards and State Financial Assistance	73
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Schedule of Findings and Questioned Costs	76
---	----

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance	79
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INDEPENDENT AUDITOR'S REPORT

Honorable Members of the
Board of County Commissioners
Franklin County, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Franklin County, Florida as of and for the year ended September 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Franklin County, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Franklin County, Florida as of September 30, 2010, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison statements for all major governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated, June 24, 2011, on our consideration of Franklin County, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 12 and the schedule of funding progress for the retiree's health insurance other post employment benefits plan and schedule of

employer contributions for the retiree's health insurance other post employment benefit plan on page 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Franklin County, Florida's financial statements as a whole. The accompanying schedules of expenditures of federal awards and state financial assistance and findings and questioned costs are presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and by Chapter 10.550, *Rules of the Auditor General*, and are not a required part of the basic financial statements. The combining statements listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance and combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Carr, Riggs & Ingram, L.L.C.

Certified Public Accountants

June 24, 2011

Management's Discussion and Analysis

Management's Discussion and Analysis

Management of the Board of County Commissioners of Franklin County (County) has prepared the following discussion and analysis to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the County's financial activities, (c) identify changes in the County's financial position, (d) identify material deviations from the financial plan (approved budget), and (e) highlight significant issues in individual funds.

Because the information contained in Management's Discussion and Analysis is intended to highlight significant transactions, events and conditions, it should be considered in conjunction with the County's financial statements.

Financial Highlights

- The County's total net assets decreased \$6,868,229 or 6% from September 30, 2009, to September 30, 2010.
- During the year ended September 30, 2010, the financial statements show that the County's general fund expenditures exceeded revenues by \$3,870,772. Please note, however, that total expenditures in the general fund were less than budgeted amounts.
- The County's depreciable capital assets, net of accumulated depreciation, increased \$1,100,333 which represents an increase of 1% for the year.

Nonfinancial Events

- The County purchased an additional 51 acres for the Franklin County/Apalachicola Regional Airport Runway 1-3 approach zone with funding provided by the Florida Department of Transportation and the Federal Aviation Administration. The total cost of the acquisition was \$464,760.
- \$266,207 was provided by the Florida Department of Transportation's County Incentive Grant Program to resurface and widen CR67/C30 Marine Street to US 98 in Carrabelle.
- Phase II (boat ramp construction) of the Ochlockonee Bay Boat Ramp is nearly complete. The Ochlockonee Bay Boat Ramp Project Includes a new pier, new ramp, dredging, and paved parking area. Phase I of the project (boat ramp design and permitting) was completed early in the year. The funding for both Phase I (94%) and II (100%) for this project was provided by grants from the Florida Fish and Wildlife Conservation Commission's Boating Improvement Program, phase I cost \$74,390 (6% match paid from County's Boating Improvement Fees Collected) phase II will cost \$533,189 (No match required).
- Franklin County completed the extension of the Bluff Road Sidewalk in Apalachicola and installed new sidewalks on sections of Pine Street and Franklin Boulevard on St. George Island with \$268,211 appropriated by the American Recovery and Reinvestment Act of 2009 (ARRA) .
- Franklin County was awarded a grant from the Florida Department of Transportation to design and permit a multi-use path connecting Carrabelle Beach Park to the Carrabelle Lighthouse. Phase I is nearly 50% complete – Franklin County hopes to begin phase II construction on the new path in 2012/2013.

- The gross taxable value for operating purposes certified by the Franklin County Property Appraiser on July 30, 2009 showed over an 819 million dollar decline in Franklin County's taxable value from 2008 to 2009. The commission raised the millage rate to 3.6753 mills in Fiscal Year 2009/2010, but still cut property tax proceeds. The \$10,210,219 in budgeted proceeds from property taxes in Fiscal Year 2009/2010 was \$1,714,917 less than the budgeted proceeds of \$11,925,136 in Fiscal Year 2008/2009. The County has had a hiring freeze in effect since March of 2007. In 2009/2010 there were 174 budgeted positions, down from a high in 2006/2007 of 191. The County has not approved any across the board salary increases since October 1, 2008.

Overview of the Financial Statements

The basic financial statements consist of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

In addition, this report presents certain required supplementary information.

Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the County's overall financial condition in a manner similar to those of a private-sector business. This statement, combines and consolidates governmental fund's current financial resources (short-term expendable resources) with capital assets and long-term obligations. The statements include a *statement of net assets* and a *statement of activities* that are designed to provide consolidated financial information about the governmental activities of the County presented on the accrual basis of accounting.

- The *statement of net assets* provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the County.
- The *statement of activities* presents information showing how the County's net assets changed during the 2010 fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes earned, and earned but unused vacation leave). This statement is intended to summarize and simplify the user's analysis of cost of various governmental services. An increase or decrease in net assets is an indication of whether the County's financial health is improving or deteriorating.

Both of these financial statements present the functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the County include general government, public safety, physical environment, transportation, economic environment, human services, culture and recreation, and court related activities.

Over a period of time, changes in the County's net assets are an indication of improving or deteriorating financial condition. This information should be evaluated in conjunction with other

nonfinancial factors, such as changes in the County's property tax base and the condition of the County's capital assets including infrastructure assets.

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others are created by legal agreements, such as bond covenants. Fund financial statements provide more detailed information about the County's financial activities, focusing on its most significant or "major" funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide statements.

All of the County's funds may be classified in the broad category of *Governmental Funds*, *Proprietary Funds* or *Fiduciary (Agency) Funds*.

- **Governmental Funds** - these funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. This financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year. Consequently, the governmental fund statements provide a detailed short-term view that may be used to evaluate the County's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.
- **Proprietary Funds** - The County maintains one type of proprietary fund which is the hospital fund. This fund is used to report business-type activities in the government-wide financial statements. The County uses the hospital fund to account for the fiscal activities relating to the hospital and emergency medical services provided in Franklin County. Proprietary funds provide the same type of information found in the government-wide financial statements, but in greater detail.
- **Fiduciary (Agency) Funds** – Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide statements because the resources are not available to support the County's own programs. In its fiduciary capacity, the County is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

Infrastructure Assets

Generally, a government's largest group of assets (infrastructure – roads, bridges, traffic signals, underground pipes) are not reported nor depreciated in governmental fund financial statements. This statement requires that these assets be valued and reported within the Governmental column of the Government-wide statements. Additionally, the government must elect to either (a) depreciate these assets over their estimated useful life or (b) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. If the

government develops the asset management system (the modified approach) which periodically (at least every third year), by category measures and demonstrates its maintenance of locally established levels of service standards, the government may record its cost of maintenance in lieu of depreciation. The County elected to depreciate its infrastructure assets.

Government-wide Financial Analysis

Statement of Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$108 million at September 30, 2010, and \$115 million at September 30, 2009.

Net Assets						
	Governmental Activities		Business-type Activities		Total	
September 30,	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 21,752,312	\$ 24,769,044	\$ 1,933,886	\$ 1,710,932	\$ 23,686,198	\$ 26,479,976
Capital assets, net	98,842,356	98,463,696	1,680,126	958,453	100,522,482	99,422,149
Total assets	120,594,668	123,232,740	3,614,012	2,669,385	124,208,680	125,902,125
Current and other liabilities	2,646,341	2,179,001	1,428,039	1,165,756	4,074,380	3,344,757
Long-term liabilities	11,651,580	7,127,618	524,334	603,135	12,175,914	7,730,753
Total liabilities	14,297,921	9,306,619	1,952,373	1,768,891	16,250,294	11,075,510
Net assets invested in capital assets, net of related debt	97,879,837	97,399,682	1,544,154	831,552	99,423,991	98,231,234
Net assets – unrestricted	8,416,910	16,526,439	117,485	68,942	8,534,395	16,595,381
Total net assets	\$106,296,747	\$113,926,121	\$1,661,639	\$ 900,494	\$107,958,386	\$114,826,615

Statement of Activities

The following schedule summarizes revenues and expenses for the years ended September 30, 2010 and 2009:

Changes in Net Assets						
	Governmental Activities		Business-type Activities		Total	
Year ended September 30,	2010	2009	2010	2009	2010	2009
Program revenues						
Charges for services	\$ 1,847,441	\$ 2,068,398	\$5,746,576	\$6,127,595	\$ 7,594,017	\$ 8,195,993
Operating grants/contributions	3,676,376	6,236,291	694,518	447,204	4,370,894	6,683,495
Capital grants/contributions	1,752,903	1,783,810	56,760	408,990	1,809,663	2,192,800
General revenues						
Property taxes	9,972,272	11,424,599	-	-	9,972,272	11,424,599
Other taxes	4,917,819	4,715,569	-	-	4,917,819	4,715,569
Investment earnings	222,065	287,442	5,368	8,182	227,433	295,624
Other	995,805	595,631	23,658	49,342	1,019,463	644,973
Transfers	(1,888,373)	(1,234,758)	1,888,373	1,234,758	-	-
Total revenues	21,496,308	25,876,982	8,415,253	8,276,071	29,911,561	34,153,053
Expenses						
Program activities						
General						
government	4,923,689	4,672,495	-	-	4,923,689	4,672,495
Public safety	8,660,100	8,203,972	-	-	8,660,100	8,203,972
Physical						
environment	2,008,312	1,845,590	-	-	2,008,312	1,845,590
Transportation	7,645,540	7,969,329	-	-	7,645,540	7,969,329
Economic						
environment	1,651,260	716,347	-	-	1,651,260	716,347
Human services	1,017,100	957,318	-	-	1,017,100	957,318
Culture and recreation						
recreation	1,502,645	1,302,532	-	-	1,502,645	1,302,532
Court related	1,666,591	1,669,310	-	-	1,666,591	1,669,310
Interest and other charges						
other charges	50,445	59,035	-	-	50,445	59,035
Business-type activities						
	-	-	7,654,108	7,651,888	7,654,108	7,651,888
Total expenses	29,125,682	27,395,928	7,651,888	7,651,888	36,779,790	35,047,816
Net increase (decrease)	\$(7,629,374)	\$(1,518,946)	\$ 761,145	\$ 624,183	\$(6,868,229)	\$(894,763)

Financial Analysis of Individual Funds

This section provides an analysis of the balances and transactions of individual funds. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

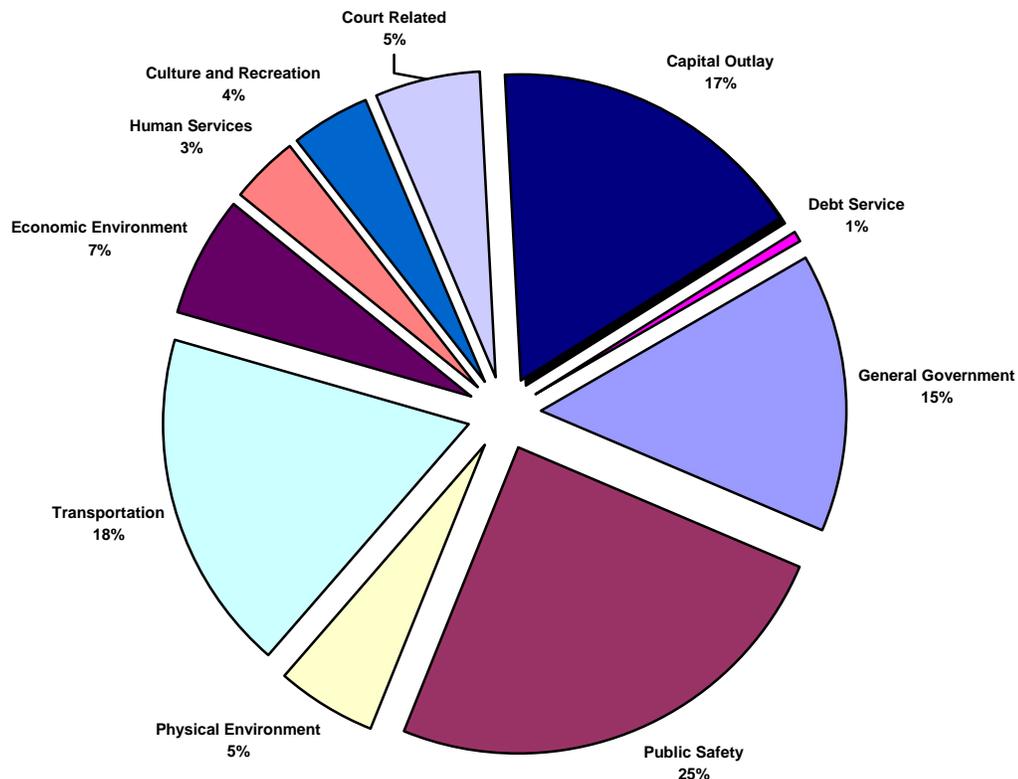
Governmental Funds

The primary purpose of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable resources*. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources, available for spending, at the end of the fiscal year.

<i>September 30,</i>	2010	2009
Total fund balance	\$ 19,224,292	\$ 22,693,891
Less reserved fund balance for:		
Landfill escrow	698,888	697,277
Unreserved fund balance	\$ 18,525,404	\$ 21,996,614

As of the end of fiscal year 2010, the County's governmental funds reported combined ending fund balances of \$19,224,292. Of this amount, *unreserved fund balance* is \$18,525,404 and is not entirely available for spending (depending on fund restrictions) at the County's discretion.

Total Governmental Funds Expenditures by Functions



Major Funds

The general fund, fines and forfeitures, local option gas tax, state housing initiatives partnership, hospital trust, boating improvement and the hospital funds are reported as major funds.

- The general fund is the general operating fund of the County. All general tax revenues and other receipts that are not required either legally or by generally accepted accounting principles to be accounted for in other funds are accounted for in the general fund.
- General operating funds of the clerk of the Circuit Court, Property Appraiser, Sheriff, Tax Collector, and Supervisor of Elections represent subfunds of the County's general fund that are held and accounted for individually, but presented with the balance of the Board of County Commissioners' operating funds.
- Fines and forfeitures is the fund that accounts for fines and ad valorem taxes that are used to support the operations of the court system, law enforcement, and the jail.
- The local option gas tax fund accumulates funds derived from the local option gas tax revenues collected from gasoline sales in Franklin County. These funds are used for road construction and resurfacing.
- The state housing initiatives partnership is comprised of State grant funds which are primarily used for low to moderate income recipients for rehabilitation of existing homes, down payment assistance for purchase of new homes, emergency repairs, and construction of new homes throughout Franklin County.
- The hospital trust fund is comprised of the proceeds of the 1% discretionary sales surtax passed by voters that took effect January 1, 2008 less distributions to the hospital. Each year 50% of the sales tax proceeds are distributed to Weems Memorial Hospital for operating expenditures. The other 50% remains in the fund until utilized for healthcare related improvements. The first of such improvements is the construction of a new Urgent Care Facility in Carrabelle.
- The boating improvement fund accounts for grant revenues related to improving boat ramps and other boating facilities.
- The hospital fund is the fund that is used to account for charges for services that are used to support the operations of the hospital and emergency medical services.

Budget Variances in the Major Funds

- Tax revenue of the general fund shows a negative budget variance of \$265,483. The County budget shows 100% of anticipated revenues with "less 5% of estimated revenues" being shown separately as a deduction. Additionally, taxpayers can take advantage of as much as 4% reduction in taxes by paying in the month of November. The Value Adjustment Board proceedings also had a negative impact on the County's budgeted ad valorem proceeds. Due to the current dire economic situation the local real estate market has been in free fall resulting in added difficulty in assigning a firm 2009 taxable value to properties.
- The general fund shows a positive budget variance of \$394,390 in the category of intergovernmental revenues. This variance is primarily caused by unanticipated grant revenues earned in the current year.

- Tax revenue of the fines & forfeitures fund shows a negative budget variance of \$268,312. The County budget shows 100% of anticipated revenues with the “less 5% of estimated revenues” being shown separately as a deduction. Additionally, taxpayers can take advantage of as much as 4% reduction in taxes by paying in the month of November. The Value Adjustment Board proceedings also had a negative impact on the County’s budgeted ad valorem proceeds. Due to the current dire economic situation the local real estate market has been in free fall resulting in added difficulty in assigning a firm 2009 taxable value to properties.
- Expenditures in the state housing initiatives partnership program were less than budgeted by \$378,592. These unspent grant funds will be available in the 2010/2011 fiscal year.

Capital Assets and Long-Term Debt

- As of September 30, 2010, the County’s governmental activities had \$2,538,628 in construction in progress. Below is a summary of some of the large projects that are still in progress at the end of the current fiscal year, many of these projects will take longer than one fiscal year to complete.
- Airport Projects: The airport entrance road project is nearly complete. The Relocation of the Airports Water and Sewer System Phase I is now complete, the Airport Stormwater Sewer Upgrade project is now in the planning phase.
- Road Projects: The 2008/2009 budgeted County Road Paving Project began in early 2009, the majority of the paving and resurfacing is now complete. The last large scale County Road Paving Project occurred in 2003/2004. The funding for the 5.2 million dollar County Road Paving Project was provided by an accumulation of nearly five years of both Local Option Gas Tax Proceeds and contributions to the fund from Ad Valorem Taxes.
- Park Projects: Seafood Landing Park Project (Apalachicola) and the Eastpoint Waterfront Pavilion Project. The Seafood Landing Park Project (Apalachicola) provides funding for a dock on Two Mile Channel, handicapped access ramp with guardrails, canoe/kayak launch, picnic pavilions, site lighting, landscaping, parking lot, observation deck and restrooms. The Eastpoint Waterfront Pavilion Project provides funding for a waterfront pavilion and loading dock for oyster harvesting.
- Pedestrian Traffic: The Carrabelle Beach Multi-Use path will connect the Carrabelle Beach Park to the Carrabelle Lighthouse. Phase I design and permitting is underway, construction funds are set to come available in the 2012 grant cycle.
- Boat Ramps: The construction phase of the Ochlockonee Bay Boat Ramp Project is nearly complete. The location has a new ramp, dredged access, floating dock and paved improvements to the parking area.
- Additional purchases which increased capital asset value include: a Jury Chamber Sound Masking System \$2,624, the Courthouse Security System \$25,629 whereas an X-Ray machine scans all entrants to the courthouse, a CCTV Video Surveillance System \$5,918 to monitor activity within the courthouse.
- The County purchased an additional 51 acres for the approach to Runway 1-3 at the Franklin County/Apalachicola Municipal Airport with funding provided by the Florida Department of Transportation and the Federal Aviation Administration.

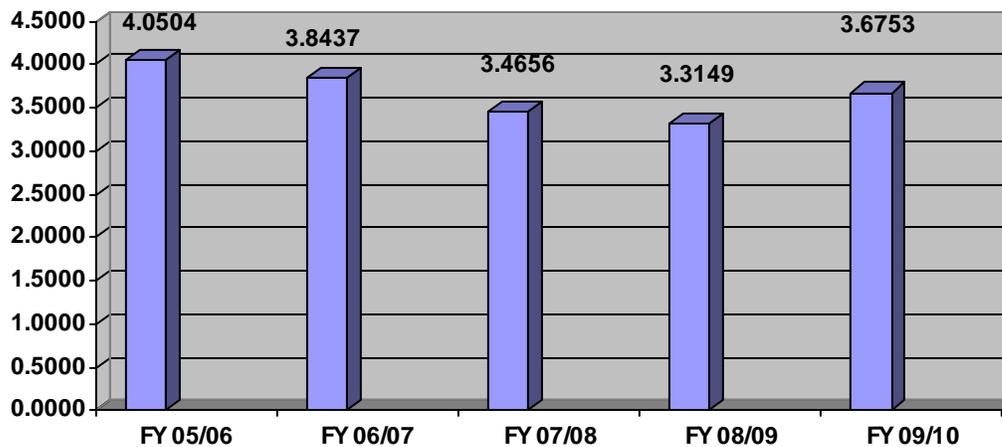
- In January of 2008, Franklin County began levying the 1% Discretionary Sales Surtax for Healthcare on all taxable purchases. The proceeds of the 1% Discretionary Sales Surtax is split between capital outlay and operating expenses for the local Weems Hospital. Franklin County has begun construction on the new Carrabelle Urgent Care Facility. This facility is set to open in 2011.
- The County issued no new long-term debt during the 2010 fiscal year.

Significant Economic Factors

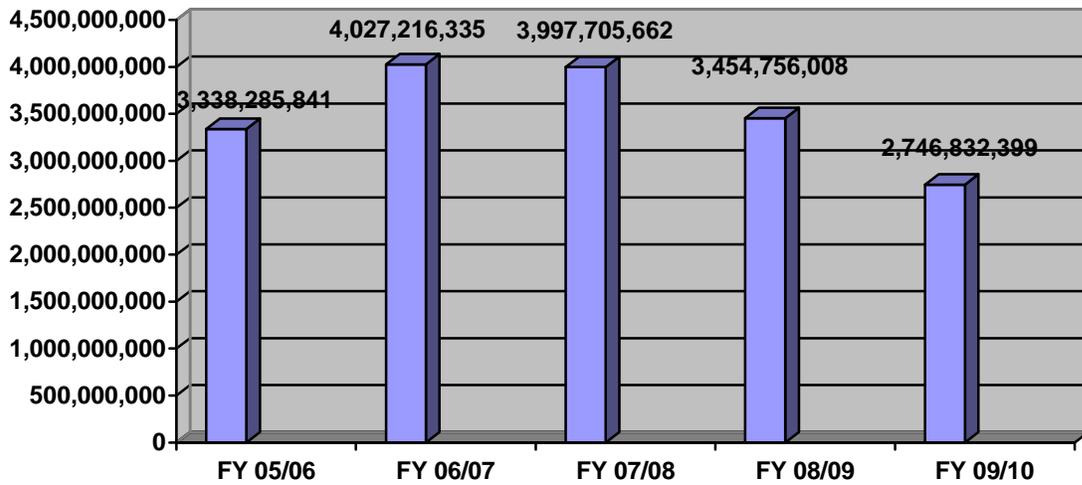
Taxable Value of Property and Millage Rates

The County received approximately \$9.97 million in property taxes based on the certified taxable value of property in Franklin County. This represents a decrease from the prior year of \$1.45 million and is a result of a decrease in property values as depicted in the following graphs.

Millage Rates Levied by Fiscal Year



Certified Taxable Value by Fiscal Year



Requests for Information

This report is designed to provide citizens and taxpayers with a general overview of the County's finances and to demonstrate compliance and accountability for its resources. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Marcia M. Johnson
Franklin County Clerk of Courts
33 Market Street, Suite 203
Apalachicola, Florida 32320

Basic Financial Statements

Franklin County, Florida
Statement of Net Assets
September 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 15,345,230	\$ 155,319	\$ 15,500,549
Equity in pooled cash	4,294,506	201,734	4,496,240
Accounts receivable, net	144,285	1,039,868	1,184,153
Notes receivable	455,344	-	455,344
Internal balances	(461,098)	461,098	-
Prepaid expenses	72,746	63,948	136,694
Due from other governments	1,901,299	-	1,901,299
Deposits	-	11,919	11,919
Capital assets			
Nondepreciable	6,127,292	834,673	6,961,965
Depreciable, net	92,715,064	845,453	93,560,517
Total assets	120,594,668	3,614,012	124,208,680
Liabilities and net assets			
Accounts payable and accrued expenses	1,246,073	1,152,377	2,398,450
Due to other governments	90,485	-	90,485
Deferred revenue	1,142,889	109,887	1,252,776
Long-term liabilities			
Customer deposits	12,500	-	12,500
Due within one year			
Accrued compensated absences	115,686	22,970	138,656
Notes and leases payable	38,708	142,805	181,513
Due in more than one year			
Accrued compensated absences	427,442	91,881	519,323
Notes and leases payable	923,811	432,453	1,356,264
Net OPEB obligation	8,533,000	-	8,533,000
Landfill closure liability	1,767,327	-	1,767,327
Total liabilities	14,297,921	1,952,373	16,250,294
Net assets			
Invested in capital assets, net of related debt	97,879,837	1,544,154	99,423,991
Unrestricted	8,416,910	117,485	8,534,395
Total net assets	\$ 106,296,747	\$ 1,661,639	\$ 107,958,386

See accompanying notes

Franklin County, Florida
Statement of Activities
Year Ended September 30, 2010

	Net (Expense) Revenue and Changes in Net Assets						
	Program Revenues			Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Primary government							
Governmental activities							
General government	\$ 4,923,689	\$ 355,256	\$ 1,589	\$ -	\$ (4,566,844)	\$ -	\$ (4,566,844)
Public safety	8,660,100	952,307	830,225	-	(6,877,568)	-	(6,877,568)
Physical environment	2,008,312	448,668	190,780	-	(1,368,864)	-	(1,368,864)
Transportation	7,645,540	-	509,255	1,288,777	(5,847,508)	-	(5,847,508)
Economic environment	1,651,260	-	972,079	-	(679,181)	-	(679,181)
Human services	1,017,100	345	720,602	-	(296,153)	-	(296,153)
Culture and recreation	1,502,645	9,450	381,075	464,126	(647,994)	-	(647,994)
Court related	1,666,591	81,415	70,771	-	(1,514,405)	-	(1,514,405)
Interest on long-term debt	50,445	-	-	-	(50,445)	-	(50,445)
Total governmental activities	29,125,682	1,847,441	3,676,376	1,752,903	(21,848,962)	-	(21,848,962)
Business-type activities							
Hospital	7,654,108	5,746,576	694,518	56,760	-	(1,156,254)	(1,156,254)
Total business-type activities	7,654,108	5,746,576	694,518	56,760	-	(1,156,254)	(1,156,254)
Total primary government	<u>\$ 36,779,790</u>	<u>\$ 7,594,017</u>	<u>\$ 4,370,894</u>	<u>\$ 1,809,663</u>	(21,848,962)	(1,156,254)	(23,005,216)
General revenues							
Taxes							
Property taxes					9,972,272	-	9,972,272
Franchise and utility taxes					59,843	-	59,843
Local option gas tax					275,662	-	275,662
Sales tax and other shared revenues					4,582,314	-	4,582,314
Investment earnings					222,065	5,368	227,433
Miscellaneous					995,805	23,658	1,019,463
Total general revenues					16,107,961	29,026	16,136,987
Transfers					(1,888,373)	1,888,373	-
Total general revenues and transfers					14,219,588	1,917,399	16,136,987
Change in net assets					(7,629,374)	761,145	(6,868,229)
Net assets - beginning					113,926,121	900,494	114,826,615
Net assets - ending					<u>\$ 106,296,747</u>	<u>\$ 1,661,639</u>	<u>\$ 107,958,386</u>

See accompanying notes

Franklin County, Florida
Balance Sheet
Governmental Funds
September 30, 2010

	General	Fines and Forfeitures	Local Option Gas Tax	State Housing Initiatives Partnership	Hospital Trust	Boating Improvement	Other Governmental Funds	Total Governmental Funds
Assets								
Cash and cash equivalents	\$ 7,143,189	\$ 2,424,278	\$ 848,468	\$ 92,222	\$ 1,297,184	\$ 7,162	\$ 3,532,727	\$ 15,345,230
Equity in pooled cash	4,334	-	1,423,183	282,596	-	-	2,584,393	4,294,506
Due from other funds	699,437	173,085	-	16,000	14,821	915	52,662	956,920
Due from other governmental units	407,827	65,826	93,132	-	236,032	458,486	599,656	1,860,959
Accounts receivable, net	35,850	39,830	-	-	-	-	68,605	144,285
Notes receivable	-	-	-	455,344	-	-	327,900	783,244
Prepaid expenses	72,746	-	-	-	-	-	-	72,746
Total assets	\$ 8,363,383	\$ 2,703,019	\$ 2,364,783	\$ 846,162	\$ 1,548,037	\$ 466,563	\$ 7,165,943	23,457,890
Liabilities and fund balances								
Liabilities								
Customer deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,500	12,500
Vouchers payable	214,373	19,086	596,249	7,425	-	-	408,940	1,246,073
Due to other governmental units	39,149	1,711	-	-	-	-	49,625	90,485
Due to other funds	369,260	17,691	-	-	497,662	421,287	71,778	1,377,678
Deferred revenue	58,896	-	-	787,344	-	-	660,622	1,506,862
Total liabilities	681,678	38,488	596,249	794,769	497,662	421,287	1,203,465	4,233,598
Fund balances								
Reserved for landfill escrow	-	-	-	-	-	-	698,888	698,888
Unreserved								
Undesignated, reported in								
General fund	7,681,705	-	-	-	-	-	-	7,681,705
Special revenue funds	-	2,664,531	1,768,534	51,393	1,050,375	45,276	4,361,772	9,941,881
Capital projects	-	-	-	-	-	-	901,818	901,818
Total fund balances	7,681,705	2,664,531	1,768,534	51,393	1,050,375	45,276	5,962,478	19,224,292
Total liabilities and fund balances	\$ 8,363,383	\$ 2,703,019	\$ 2,364,783	\$ 846,162	\$ 1,548,037	\$ 466,563	\$ 7,165,943	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	98,842,356
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.	(11,805,974)
Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds.	36,073

Net assets of governmental activities	\$ 106,296,747
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See accompanying notes

Franklin County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2010

	General	Fines and Forfeitures	Local Option Gas Tax	State Housing Initiatives Partnership	Hospital Trust	Boating Improvement	Other Governmental Funds	Total Governmental Funds
Revenues								
Taxes	\$ 4,943,259	\$ 4,789,567	\$ 262,252	\$ -	\$ 1,393,114	\$ -	\$ 767,644	\$ 12,155,836
Licenses and permits	115,456	-	-	-	-	-	-	115,456
Intergovernmental	2,959,209	2,356	485,999	447,954	-	477,582	3,882,401	8,255,501
Fines and forfeitures	-	19,771	-	-	-	-	15,440	35,211
Charges for services	277,501	489,178	-	-	-	-	534,249	1,300,928
Investment earnings and other	596,267	43,999	26,071	17,500	14,607	406	900,708	1,599,558
Total revenues	8,891,692	5,344,871	774,322	465,454	1,407,721	477,988	6,100,442	23,462,490
Expenditures								
Current								
General government	3,681,235	122	-	-	-	-	5,065	3,686,422
Public safety	5,661,097	50,656	-	-	-	-	457,107	6,168,860
Physical environment	1,024,848	-	-	-	-	-	312,783	1,337,631
Transportation	-	-	2,840,774	-	-	-	1,615,044	4,455,818
Economic environment	73,039	-	-	461,533	-	-	1,113,241	1,647,813
Human services	717,465	-	-	-	-	-	145,384	862,849
Culture and recreation	479,521	-	-	-	-	-	595,279	1,074,800
Court related	25,043	759,006	-	-	-	-	556,288	1,340,337
Capital outlay	1,024,276	4,000	1,587,977	-	-	465,836	1,155,806	4,237,895
Debt service	75,940	-	-	-	-	-	76,000	151,940
Total expenditures	12,762,464	813,784	4,428,751	461,533	-	465,836	6,031,997	24,964,365
Excess (deficit) of revenues over (under) expenditures	(3,870,772)	4,531,087	(3,654,429)	3,921	1,407,721	12,152	68,445	(1,501,875)
Other financing sources (uses)								
Transfers in	5,348,658	-	-	-	-	-	506,907	5,855,565
Transfers out	(891,346)	(4,815,833)	-	-	(1,513,372)	-	(523,387)	(7,743,938)
Reversion to State of Florida	-	-	-	-	-	-	(79,351)	(79,351)
Total other financing sources (uses)	4,457,312	(4,815,833)	-	-	(1,513,372)	-	(95,831)	(1,967,724)
Net change in fund balances	586,540	(284,746)	(3,654,429)	3,921	(105,651)	12,152	(27,386)	(3,469,599)
Fund balances - beginning	7,095,165	2,949,277	5,422,963	47,472	1,156,026	33,124	5,989,864	22,693,891
Fund balances - ending	\$ 7,681,705	\$ 2,664,531	\$ 1,768,534	\$ 51,393	\$ 1,050,375	\$ 45,276	\$ 5,962,478	\$ 19,224,292

See accompanying notes

Franklin County, Florida
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities
 Year Ended September 30, 2010

Amounts reported for governmental activities in the statement of activities (page 14) are different because:

Net change in fund balances - total governmental funds (page 16)	\$ (3,469,599)
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of activities.	4,276,417
Depreciation expense on governmental capital assets included in the governmental activities in the statement of activities.	(3,897,757)
Repayment of long-term debt is reported as an expenditure in governmental funds but as a reduction of long-term liabilities in the statement of net assets.	101,495
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(4,639,930)
Change in net assets of governmental activities (page 14)	\$ (7,629,374)

Franklin County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 5,208,742	\$ 5,208,742	\$ 4,943,259	\$ (265,483)
Licenses and permits	110,000	110,000	115,456	5,456
Intergovernmental	2,111,959	2,564,819	2,959,209	394,390
Charges for services	253,670	253,670	277,501	23,831
Miscellaneous revenues	134,920	134,920	596,267	461,347
Total revenues	7,819,291	8,272,151	8,891,692	619,541
Expenditures				
Current				
General government	4,276,461	4,380,897	3,681,235	699,662
Public safety	5,335,606	5,699,950	5,661,097	38,853
Physical environment	1,077,935	1,077,935	1,024,848	53,087
Economic environment	75,039	75,039	73,039	2,000
Human services	1,022,247	1,022,247	717,465	304,782
Culture and recreation	505,292	505,292	479,521	25,771
Court related	28,944	28,944	25,043	3,901
Capital outlay	1,013,152	1,047,264	1,024,276	22,988
Debt service	93,311	93,311	75,940	17,371
Reserve for contingencies	1,283,082	1,283,082	-	1,283,082
Total expenditures	14,711,069	15,213,961	12,762,464	2,451,497
Excess (deficit) of revenues over (under) expenditures	(6,891,778)	(6,941,810)	(3,870,772)	3,071,038
Other financing sources (uses)				
Transfers in	5,426,640	5,476,672	5,348,658	(128,014)
Transfers out	(881,907)	(881,907)	(891,346)	(9,439)
Total other financing sources (uses)	4,544,733	4,594,765	4,457,312	(137,453)
Net change in fund balance	(2,347,045)	(2,347,045)	586,540	2,933,585
Fund balance - beginning	7,095,165	7,095,165	7,095,165	-
Fund balance - ending	\$ 4,748,120	\$ 4,748,120	\$ 7,681,705	\$ 2,933,585

See accompanying notes

Franklin County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Fines and Forfeitures Fund
Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 5,057,879	\$ 5,057,879	\$ 4,789,567	\$ (268,312)
Intergovernmental	1,500	1,500	2,356	856
Charges for services	487,947	487,947	489,178	1,231
Fines and forfeitures	22,100	22,100	19,771	(2,329)
Miscellaneous revenues	72,000	72,000	43,999	(28,001)
Total revenues	5,641,426	5,641,426	5,344,871	(296,555)
Expenditures				
Current				
General government	-	-	122	(122)
Public safety	178,186	178,186	50,656	127,530
Court related	1,243,738	1,193,738	759,006	434,732
Capital outlay	10,000	10,000	4,000	6,000
Reserve for contingencies	575,000	575,000	-	575,000
Total expenditures	2,006,924	1,956,924	813,784	1,143,140
Excess of revenues over expenditures	3,634,502	3,684,502	4,531,087	846,585
Other financing sources (uses)				
Transfers out	(4,980,250)	(5,030,250)	(4,815,833)	214,417
Total other financing sources (uses)	(4,980,250)	(5,030,250)	(4,815,833)	214,417
Net change in fund balance	(1,345,748)	(1,345,748)	(284,746)	1,061,002
Fund balance - beginning	2,949,277	2,949,277	2,949,277	-
Fund balance - ending	\$ 1,603,529	\$ 1,603,529	\$ 2,664,531	\$ 1,061,002

See accompanying notes

Franklin County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Local Option Gas Tax Fund
Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 248,954	\$ 248,954	\$ 262,252	\$ 13,298
Intergovernmental	491,933	491,933	485,999	(5,934)
Miscellaneous revenues	30,000	30,000	26,071	(3,929)
Total revenues	770,887	770,887	774,322	3,435
Expenditures				
Current				
Transportation	3,060,640	3,060,640	2,840,774	219,866
Capital outlay	3,013,133	3,013,133	1,587,977	1,425,156
Total expenditures	6,073,773	6,073,773	4,428,751	1,645,022
Net change in fund balance	(5,302,886)	(5,302,886)	(3,654,429)	1,648,457
Fund balance - beginning	5,422,963	5,422,963	5,422,963	-
Fund balance - ending	\$ 120,077	\$ 120,077	\$ 1,768,534	\$ 1,648,457

Franklin County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - State Housing Initiatives Partnership Fund
Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 700,000	\$ 700,000	\$ 447,954	\$ (252,046)
Miscellaneous revenues	7,500	7,500	17,500	10,000
Total revenues	707,500	707,500	465,454	(242,046)
Expenditures				
Current				
Economic environment	840,125	840,125	461,533	378,592
Total expenditures	840,125	840,125	461,533	378,592
Excess (deficit) of revenues over (under) expenditures	(132,625)	(132,625)	3,921	136,546
Fund balance - beginning	47,472	47,472	47,472	-
Fund balance - ending	\$ (85,153)	\$ (85,153)	\$ 51,393	\$ 136,546

Franklin County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Hospital Trust Fund
Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,109,252	\$ 1,109,252	\$ 1,393,114	\$ 283,862
Miscellaneous revenues	9,000	9,000	14,607	5,607
Total revenues	1,118,252	1,118,252	1,407,721	289,469
Expenditures				
Current	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	1,118,252	1,118,252	1,407,721	289,469
Other financing sources (uses)				
Transfers out	(2,263,117)	(2,263,117)	(1,513,372)	749,745
Total other financing sources (uses)	(2,263,117)	(2,263,117)	(1,513,372)	749,745
Net change in fund balances	(1,144,865)	(1,144,865)	(105,651)	1,039,214
Fund balance - beginning	1,156,026	1,156,026	1,156,026	-
Fund balance - ending	\$ 11,161	\$ 11,161	\$ 1,050,375	\$ 1,039,214

Franklin County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Boating Improvement Fund
Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 544,370	\$ 544,370	\$ 477,582	\$ (66,788)
Miscellaneous revenues	200	200	406	206
Total revenues	544,570	544,570	477,988	(66,582)
Expenditures				
Capital outlay	579,918	579,918	465,836	114,082
Total expenditures	579,918	579,918	465,836	114,082
Excess (deficit) of revenues over (under) expenditures	(35,348)	(35,348)	12,152	47,500
Fund balance - beginning	33,124	33,124	33,124	-
Fund balance - ending	\$ (2,224)	\$ (2,224)	\$ 45,276	\$ 47,500

See accompanying notes

Franklin County, Florida
Statement of Net Assets
Proprietary Fund
September 30, 2010

Business-type Activities - Enterprise Fund

	Hospital
Assets	
Current assets	
Cash and cash equivalents	\$ 155,319
Equity in pooled cash	201,734
Accounts receivable, net	1,039,868
Due from other funds	461,098
Prepaid expenses	63,948
Total current assets	1,921,967
Noncurrent assets	
Capital assets	
Land	13,400
Buildings	254,323
Machinery and equipment	1,163,991
Construction in progress	821,273
Less allowance for depreciation	(572,861)
Capital assets (net of accumulated depreciation)	1,680,126
Other assets	
Deposits	11,919
Total noncurrent assets	1,692,045
Total assets	3,614,012
Liabilities	
Current liabilities	
Accounts payable and accrued expenses	1,152,377
Deferred revenue	109,887
Accrued compensated absences - current	22,970
Leases payable - current	35,663
Notes payable - current	107,142
Total current liabilities	1,428,039
Noncurrent liabilities	
Accrued compensated absences	91,881
Leases payable	100,309
Notes payable	332,144
Total noncurrent liabilities	524,334
Total liabilities	1,952,373
Net assets	
Invested in capital assets, net of related debt	1,544,154
Unrestricted	117,485
Total net assets	\$ 1,661,639

Franklin County, Florida
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
Year Ended September 30, 2010

Business-type Activities - Enterprise Fund

	Hospital
<hr/>	
Operating revenues	
Charges for services	\$ 5,746,576
Other	23,658
<hr/>	
Total revenues	5,770,234
<hr/>	
Operating expenses	
Employee leasing	3,295,680
Payroll taxes	185,778
Advertising	25,139
Communications	668,194
Clinical supplies	50,589
Contractual services	94,061
Depreciation	223,715
Insurance	478,293
License and permits	7,374
Minor equipment	42,672
Other current charges	67,695
Other patient related costs	100,413
Professional services	2,017,781
Repairs and maintenance	70,740
Supplies	133,308
Training and development	8,497
Travel	19,454
Utilities	132,074
<hr/>	
Total operating expenses	7,621,457
<hr/>	
Operating income (loss)	(1,851,223)
<hr/>	
Nonoperating revenues (expenses)	
Interest income	5,368
Operating contributions	694,518
Capital grants	56,760
Interest expense and amortization of fiscal costs	(32,651)
<hr/>	
Total nonoperating revenues (expenses)	723,995
<hr/>	
Income (loss) before transfers	(1,127,228)
<hr/>	
Transfers in	1,888,373
<hr/>	
Change in net assets	761,145
<hr/>	
Net assets - beginning	900,494
<hr/>	
Net assets - ending	\$ 1,661,639

Franklin County, Florida
Statement of Cash Flows
Proprietary Fund
Year Ended September 30, 2010

Business-type Activities - Enterprise Fund

	Hospital
Cash flows from operating activities	
Receipts from customers and others	\$ 5,339,151
Payments to suppliers	(3,677,602)
Payments to employees	(3,483,957)
Net cash used in operating activities	(1,822,408)
Cash flows from noncapital financing activities	
Grants received	56,760
Contributions	694,518
Transfers from other funds	1,888,373
Net cash provided by noncapital financing activities	2,639,651
Cash flows from capital and related financing activities	
Acquisition of capital assets	(945,387)
Proceeds from capital leases	61,166
Repayment of principal on long-term debt	(116,381)
Interest paid on long-term debt	(32,651)
Net cash used in capital and related financing activities	(1,033,253)
Cash flows from investing activities	
Interest received	5,368
Net cash provided by investing activities	5,368
Decrease in cash and cash equivalents	(210,642)
Cash and cash equivalents - beginning	567,695
Cash and cash equivalents - ending	\$ 357,053

(Continued)

Franklin County, Florida
Statement of Cash Flows
Proprietary Fund (Continued)
Year Ended September 30, 2010

Business-type Activities - Enterprise Fund

	Hospital
Reconciliation of operating income (loss)	
to net cash used in operating activities	
Operating income (loss)	\$ (1,851,223)
Adjustments to reconcile operating income (loss) to net cash used in operating activities	
Depreciation	223,715
(Increase) decrease in assets	
Accounts receivables, net	(145,632)
Due from other funds	(267,550)
Prepaid expenses	(8,493)
Deposits on assets	(11,919)
Increase (decrease) in liabilities	
Compensated absences	(2,499)
Accounts payable	42,889
Accrued expenses	216,205
Deferred revenue	(17,901)
Net cash used in operating activities	\$ (1,822,408)

Franklin County, Florida
Statement of Fiduciary Net Assets - Fiduciary Funds
September 30, 2010

	Agency Funds
<hr/>	
Assets	
Cash and cash equivalents	\$ 310,837
Total assets	\$ 310,837
Liabilities	
Due to individuals	\$ 50,748
Due to other funds	40,340
Due to other governments	94,472
Installments	124,262
Deposits	1,015
Total liabilities	\$ 310,837

See accompanying notes

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Franklin County, Florida (County) have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes U.S. GAAP for governmental units.

Reporting Entity

The County, located in Northwest Florida, is a political subdivision of the State of Florida and provides services to approximately 11,000 residents in many areas including general government, public safety, physical environment, transportation, economic environment, human services, and culture and recreation. It is governed by a five-member elected Board of County Commissioners (Board), which derives its authority from Florida Statutes and regulations. In addition to the members of the Board, there are five elected constitutional officers: Clerk of the Circuit Court, Sheriff, Tax Collector, Property Appraiser and Supervisor of Elections.

The elected offices of the Clerk of the Circuit Court, Sheriff, Tax Collector, Property Appraiser, and Supervisor of Elections are operated as separate County agencies in accordance with applicable provisions of Florida Statutes. The offices of the Sheriff, Tax Collector, Property Appraiser and Supervisor of Elections operate on a budget system whereby County appropriated funds are received from the Board with unexpended funds returned to the Board. The Clerk of the Circuit Court operates as a fee officer by retaining various fees collected by this office and billing the Board for certain services provided. Separate accounting records and budgets are maintained by each individual office.

Component Units

As required by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, and its component units, for which the primary government is considered to be financially accountable. Also included are other entities whose exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Each potential component unit is individually evaluated using specific criteria outlined in GASB Standards to determine whether the entity is: a) part of the primary government; b) a component unit which should be included in the reporting entity (blended or discretely presented); or c) an organization which should be excluded from the reporting entity entirely. The principal criteria for classifying a potential component unit include the legal separateness of the organization, the financial accountability of the primary government for the potential component unit resulting from either the primary government's ability to impose its will on the potential component unit, or the potential component unit's fiscal dependency on the primary government. Based upon the application of these criteria, there were no entities that required inclusion as a component unit within the County's financial statements. There were no entities for which there were positive responses to specific criteria used for establishing oversight responsibility that were excluded from the County's financial statements.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The County was established by the Constitution of the State of Florida, Article VIII, and Section 1(e).

The basic financial statements of the County are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units and fiduciary funds for which the primary government is financially accountable.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement 33 – Accounting and Financial Reporting for Nonexchange Transactions.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry, if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as reductions of the related liabilities, rather than as expenditures.

As a general rule, the effects of interfund activity have been eliminated from the government-wide financial statements. The County eliminates indirect expenses between governmental activities to avoid duplicating revenues and expenditures. Direct expenses are not eliminated from the various functional categories.

Fund Financial Statements

The underlying accounting system of the County is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to, and accounted for, in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds. The fiduciary statement includes financial information of the agency fund. The agency funds of the County represent assets held by the County in a custodial capacity for other individuals or governments.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as with accrual accounting. Franchise fees, licenses, sales taxes, gas taxes, operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the County.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources." Governmental funds operating statements present increases (revenues 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 excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as other financing sources rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary Funds

The County's enterprise funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, taxes, and investment earnings, result from nonexchange transactions or ancillary activities. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. Expenses not meeting this definition are reported as nonoperating expenses.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than as expenses.

Basis of Presentation

GASB Statement Number 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of any fund category and the governmental and enterprise combined) for the determination of major funds. The County has used GASB Statement Number 34 minimum criteria for major fund determination to determine which funds are required to be reported as major funds. The nonmajor funds are combined in a column in the fund financial statements and detailed in the combining section.

Governmental Major Funds

- General – The general fund is the County’s primary operating fund. It is used to account for all resources traditionally associated with governments except those required to be accounted for in other funds.
- Fines and forfeitures – This is used to account for the fines and ad valorem taxes earmarked for law enforcement and corrections.
- Local option gas tax – This fund is used to account for the County’s local option gas tax revenue earmarked for road construction and improvements.
- State housing initiatives partnership – This fund is used to account for the activity in the County’s state housing initiatives partnership program (SHIP).
- Hospital Trust – This fund is used to account for the proceeds of the 1% discretionary sales surtax for the hospital.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Boating Improvement – This fund is used to account for grant revenues related to improving boat ramps and other boating facilities.

Proprietary Major Funds

- Hospital – This fund is used to account for balances and activities of the George E. Weems Memorial Hospital.

Other Fund Types

The County reports one type of fiduciary fund, agency funds which are used to account for the collection and disbursement of monies by the County on behalf of other governments and individuals.

Noncurrent Governmental Assets/Liabilities

GASB Statement Number 34 requires noncurrent governmental assets, such as land, buildings and equipment and noncurrent governmental liabilities, such as general obligation bonds and capital leases, to be reported in the governmental activities column in the government-wide statement of net assets.

Budgets

Annual budgets are legally adopted for all governmental funds and proprietary funds. Budgets are prepared and adopted on a basis of accounting consistent with U.S. generally accepted accounting principles. Encumbrances are not recorded. Unexpended items at year end must be reappropriated in the subsequent year.

The annual budgets serve as the legal authorization for expenditures. Expenditures cannot legally exceed the total amount budgeted for each fund. All budget amendments, which change the legally adopted total appropriation for a fund, are approved by the Board.

Florida Statutes provide that it is unlawful to make expenditures that exceed the total amount budgeted for each fund. Therefore, the fund level is the legal level of control for budget considerations. Chapter 129, Florida Statutes, governs the manner in which the budget may be legally amended once it has been approved. Pursuant to Chapter 129, only the Board of County Commissioners can approve budget amendments that change the total approved budget appropriation of an individual fund. Department managers can transfer appropriations within the budget, but cannot change the total appropriation of an individual fund without the approval of the Board of County Commissioners.

If during the fiscal year additional revenue becomes available for appropriations in excess of those estimated in the budget, the Board by resolution may make supplemental appropriations for the year up to the amount of such excess. During the current fiscal year, various supplemental appropriations were approved by the Board in accordance with Florida Statutes.

Budgetary data presented in the accompanying basic financial statements in the final budgeted amounts column represents the final budgetary data. In this column the effects of budget

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

amendments have been applied to original budgetary data.

Investments

Investments of the County are reported at fair value unless otherwise disclosed.

External Investment Pools

Local Government Surplus Funds Trust Fund (pool) – The County maintains deposits in the Local Government Surplus Funds Trust Fund. This external investment pool, which is administered by the State of Florida State Board of Administration (SBA), 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 shares. Pursuant to the provisions of GASB Statement 31, such investments are stated at cost.

Derivatives and Similar Debt and Investment Items

The County has not directly or indirectly used or written any derivatives or similar debt and investment items during the current year. However, the County did have indirect exposure to similar debt and investment items through the investments held in the State of Florida State Board of Administration.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the County considers bank deposits, certificates of deposit and all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Restricted and Unrestricted Resources

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

Accounts Receivable

Accounts receivable are shown at their net realizable value and reduced by an allowance for uncollectible accounts.

Due from (to) Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, rights of way, stormwater system, sidewalks, and similar items) are reported in the governmental column in the government-wide financial statements. Capital assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one operating cycle are recorded as capital assets. Infrastructure, such as roads, bridges and sidewalks are capitalized when their initial costs exceed \$25,000. Capital assets are recorded at historical cost or estimated historical cost if actual cost is unknown. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or extend its useful life are expensed as incurred.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For assets constructed with governmental fund resources, interest during construction is not capitalized.

The Board holds legal title to the capital assets used in its operations, and those of the following: Clerk of the Circuit Court, Property Appraiser, Supervisor of Elections and Tax Collector, and is accountable for them by Florida Law.

The Sheriff is accountable for and maintains capital asset records pertaining only to equipment used in his operations. These assets have been combined with the Board's governmental activities capital assets in the statement of net assets.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives of the related assets. Estimated useful lives are generally as follows:

Buildings	20-50	years
Improvements other than buildings	20-50	years
Machinery and equipment	5-20	years
Infrastructure	15-50	years

Deferred Revenues

Deferred revenues reported in the government-wide financial statements represent unearned revenues. The deferred revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Deferred revenues reported in governmental fund financial statements represent unearned revenues or revenues which are measurable but not available, and in accordance with the modified accrual basis of accounting, are reported as deferred revenues.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The County maintains a policy that permits employees to accumulate earned but unused vacation and sick pay benefits that will be paid to employees upon separation from County service if certain criteria are met. These benefits, plus their related tax and retirement costs are classified as compensated absences. Employees may be paid for unused vacation hours accrued up to a maximum amount. Payment of unused sick leave, upon termination, is also provided for up to varying amounts.

Both the current and long-term portion of compensated absences are accrued and reported in the government-wide financial statements. No expenditure is reported in the government fund level statements for these amounts until payment is made. Compensated absences liability is based on current rates of pay.

Property Taxes

Under Florida law, the assessment of all properties and the collection of all County, Municipal and School Board property taxes are consolidated in the offices of the Property Appraiser and Tax Collector. The laws of the State regulating tax assessment are also designed to assure a consistent property valuation method statewide. Florida Statutes permit counties to levy property taxes at a rate of up to 10 mills for general operations. The millage rate assessed by the County for the year ended September 30, 2010 was 3.6753 mills.

The tax levy of the County is established by the Board prior to October 1, of each year and the Property Appraiser incorporates the County millage rates into the total tax levy, which includes the various municipalities, the County School Board, and other taxing authorities.

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

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

On or prior to June 1, following the tax year, tax certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest of 18% per year or at any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold tax certificates are held by the County.

Reserves and Designations of Fund Equity

Reserves indicate that portion of fund balance or net assets that is not available for appropriation or which is legally segregated for a specific future use. The description of each reserve indicates the purpose for which each was intended. Designated portions of fund equity represent

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

management's tentative future spending plans. Such designations should be clearly distinguished from reserves, since managerial plans are subject to change and may never be legally authorized or result in actual expenditures.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ significantly from those estimates.

Encumbrances

Encumbrances represent commitments in the form of purchase orders which are chargeable to an appropriation and for which a part of the appropriation is reserved. Encumbrances do not represent expenditures or liabilities. The County does not record encumbrances outstanding at year end.

Landfill Closure Costs

Under the terms of current State and Federal regulations, the County is required to place a final cover on closed landfill areas, and to perform certain monitoring and maintenance functions for a period of up to thirty years after closure. The County recognizes these costs of closure and postclosure maintenance over the active life of each landfill area, based on landfill capacity used during the period. Required obligations for closure and postclosure costs are recognized in the general fund.

Subsequent Events

The County evaluates subsequent events through the date the financial statements are issued.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between *fund balances - total governmental funds* and *net assets of governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, "long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds." The details of this difference are as follows:

Notes to Financial Statements

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Capital leases payable	\$ 962,519
Compensated absences	543,128
Net OPEB obligation	8,533,000
Landfill closing costs	1,767,327
<hr/>	
Net adjustment to reduce <i>fund balances - total governmental funds</i> to arrive at <i>net assets of governmental activities</i>	\$ 11,805,974

Another element of that reconciliation states, "capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds." The details of this difference are as follows:

Cost of capital assets	\$ 143,509,565
Less: accumulated depreciation	(44,667,209)
<hr/>	
Net adjustment to increase <i>fund balances - total governmental funds</i> to arrive at <i>net assets of governmental activities</i>	\$ 98,842,356

Another element of that reconciliation states, "Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds." The details of this difference are as follows:

Deferred revenues	\$ 363,973
Notes receivable	(327,900)
<hr/>	
Net adjustment to increase <i>fund balances - total governmental funds</i> to arrive at <i>net assets of governmental activities</i>	\$ 36,073

Explanation of certain differences between the governmental fund statements of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change in fund balances - total governmental funds and change in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, "repayment of long-term debt is reported as an expenditure in the governmental funds but as a reduction of long-term debt in the statement of net assets." The details of this difference are as follows:

Principal repayments:	
Notes payable and capital leases	\$ 101,495
<hr/>	
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	\$ 101,495

Notes to Financial Statements

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Another element of that reconciliation states, "some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this difference are as follows:

Compensated absences	\$ 16,947
Change in deferred revenue	(80,870)
Change in OPEB liability	(4,304,000)
Landfill costs	(272,007)
<hr/>	
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	\$ (4,639,930)

NOTE 3 – CASH AND INVESTMENTS

Deposits Policies

All cash resources of the County are placed in banks that are qualified public depositories, as required by law (Florida Security for Public Deposits Act). Every qualified public depository is required by this law to deposit with the State Treasurer eligible collateral equal to, or in excess of, an amount to be determined by the State Treasurer. The State Treasurer is required to ensure that the County's funds are entirely collateralized throughout the fiscal year. In the event of failure by a qualified public depository, losses in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis.

The County's cash and cash equivalents include cash on hand, demand deposits, and short-term investment with original maturities of three months or less from the date of acquisition.

Investments Policies

Florida Statutes, Section 218.415, authorizes the County to invest surplus funds in the following:

The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in s. 163.01.

Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

Franklin County, Florida
Notes to Financial Statements

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Interest-bearing time deposits or savings accounts in qualified public depositories as defined in s. 280.02.

Direct obligations of the United States Treasury.

Federal agencies and instrumentalities.

Securities of, or other interests in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et. seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.

The County had no investments at September 30, 2010.

Credit Risks

The credit risk of certain investments, such as investment pools managed by other governments, cannot be categorized as to credit risk because the County investments are not evidenced by specific, identifiable investment securities.

Interest Rate Risks

At September 30, 2010, the County did not hold any investments other than those disclosed below that were considered to be an interest rate risk.

Custodial Risks

At September 30, 2010, the County held deposits or investments that were considered to be a custodial risk. See below.

Concentration of Credit Risk

At September 30, 2010, the County did not hold any investments that were considered to be a concentration of credit risk.

Notes to Financial Statements

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

At September 30, 2010, the County's cash and investments consisted of the following:

	Credit Rating	Current	0-5 Years	5-10 Years	Total Carrying Amount
Cash including money market fund	(1)	\$ 15,702,283	\$ -	\$ -	\$ 15,702,283
Local Government Surplus Trust Fund Pool		4,294,506	-	-	4,294,506
Total		\$ 19,996,789	\$ -	\$ -	\$ 19,996,789

(1) These funds are not rated. Investments in these funds are restricted to cash, short term obligations of the U.S. government and government backed securities.

Local Government Surplus Funds Trust Fund (Florida PRIME)

The Florida PRIME portion of the pool (\$3,872,530) is considered a SEC 2a7-like fund and the account balance is the fair value of the investment.

The Fund B portion (\$421,976) is accounted for as a fluctuating NAV pool.

Credit quality disclosure – Florida PRIME is rated by Standard and Poors. The current rating is AAAM. Fund B is not rated by any nationally recognized statistical rating agency.

Interest rate risk – The weighted average days to maturity of the Florida PRIME at September 30, 2010 was 52 days. The weighted average life of Fund B (based on expected future cash flows) at September 30, 2010 was estimated at 7.49 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life.

NOTE 4 – ACCOUNTS RECEIVABLE AND NOTES RECEIVABLE

Accounts receivables at September 30, 2010, consisted of the following:

Governmental Activities - Accounts Receivable	General	Fines and Forfeitures	State Housing Initiatives Partnership	Other Govern- mental Funds	Total
Accounts receivable	\$35,850	\$ 39,830	\$ -	\$ 68,605	\$144,285
Notes receivable	-	-	455,344	327,900	783,244
(Allowance for doubtful accounts)	-	-	-	(327,900)	(327,900)
Accounts receivable, net	\$35,850	\$ 39,830	\$ 455,344	\$ 68,605	\$599,629

Notes to Financial Statements

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Business-type Activities - Accounts Receivable	Hospital
Accounts receivable (Allowance for doubtful accounts)	\$ 6,365,133 (5,325,265)
Accounts receivable, net	\$ 1,039,868

All interfund balances are due to timing differences and expected to be repaid during the fiscal year ending September 30, 2010.

Internal balances at September 30, 2010, consist of the following:

Fund	Interfund Receivables	Interfund Payables
General	\$ 659,097	\$ 369,260
Special revenue		
Fines and forfeitures	173,085	17,691
County road and bridge	15,479	40,323
Fire protection	-	23,744
Affordable housing	16,000	-
Mosquito control	2,876	1,447
Law enforcement educational trust	280	-
Hospital trust	14,821	497,662
Boating improvement	915	421,287
Airport	820	2,272
Clerk's fine and forfeitures	19,260	1,942
Clerk's modernization trust	6,652	-
Tourist development	7,295	2,050
Total special revenue	257,483	1,008,418
Enterprise - hospital	461,098	-
Total	\$ 1,377,678	\$ 1,377,678

The general fund has amounts due to and from constitutional officers, which represent the return of excess due at the end of the fiscal year, from either budget officers or fee officers. All remaining balances resulted from the time lag between the dates that (a) interfund goods and services are provided or reimbursable expenditures occur, (b) transactions are recorded in the accounting system, and (c) payments between funds are made.

Notes to Financial Statements

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Fund transferred from	Fund transferred to	Amount	Purpose
Fines and forfeitures	General	\$ 4,771,934	To fund the Sheriff budget.
General	Nonmajor governmental funds	506,907	Purchase of equipment, operation of public library, and other allowable expenditures.
Nonmajor governmental funds	General	523,387	To record the budgeted transfers from the landfill fund and tourist development, and between special revenue funds and constitutional officers.
Nonmajor governmental funds	Hospital	1,513,372	Transfer of ½ cent sales tax
General	Hospital	375,000	Transfer of operating cash
Total		\$ 7,690,600	

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended September 30, 2010, is as follows:

	September 30,		September 30,	
	2009	Increase	Decrease	2010
Capital assets not being depreciated				
Land	\$ 3,123,904	\$ 464,760	\$ -	\$ 3,588,664
Construction in progress	1,988,231	1,960,969	(1,410,572)	2,538,628
Total capital assets not being depreciated	5,112,135	2,425,729	(1,410,572)	6,127,292
Capital assets being depreciated				
Buildings	10,867,984	1,063,418	-	11,931,402
Improvements other than buildings	6,250,167	1,489,500	-	7,739,667
Machinery and equipment	13,021,825	710,117	(582,771)	13,149,171
Infrastructure	104,562,033	-	-	104,562,033
Total capital assets being depreciated	134,702,009	3,263,035	(582,771)	137,382,273

Notes to Financial Statements

NOTE 6 – CAPITAL ASSETS (CONTINUED)

	September 30, 2009	Increase	Decrease	September 30, 2010
Accumulated depreciation				
Buildings	\$ 3,655,622	\$ 228,921	\$ -	\$ 3,884,543
Improvements other than buildings	1,903,024	242,295	-	2,145,319
Machinery and equipment	10,210,612	863,329	(580,996)	10,492,945
Infrastructure	25,581,190	2,563,212	-	28,144,402
Total accumulated depreciation	41,350,448	3,897,757	(580,996)	44,667,209
Capital assets being depreciated - net	93,351,561	(634,722)	(1,775)	92,715,064
Total governmental activities' capital assets (net of accumulated depreciation)	\$ 98,463,696	\$ 1,791,007	\$ (1,412,347)	\$ 98,842,356

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

General government	\$ 204,471
Court related	37,473
Public safety	379,599
Physical environment	221,869
Transportation	2,792,186
Economic environment	2,600
Human services	74,174
Culture and recreation	185,385
Total depreciation expense - governmental activities	\$ 3,897,757

Capital asset activity for the business-type activities for the year ended September 30, 2010, is as follows:

	September 30, 2009	Increase	Decrease	September 30, 2010
Capital assets not being depreciated				
Land	\$ 13,400	\$ -	\$ -	\$ 13,400
Construction in progress	9,090	812,183	-	821,273
Total capital assets not being depreciated	22,490	812,183	-	834,673
Capital assets being depreciated				
Buildings	233,452	20,871	-	254,323
Machinery and equipment	1,077,727	123,506	(37,242)	1,163,991
Total capital assets being depreciated	1,311,179	144,377	(37,242)	1,418,314

Franklin County, Florida
Notes to Financial Statements

NOTE 6 – CAPITAL ASSETS (CONTINUED)

	September 30, 2009	Increase	Decrease	September 30, 2010
Less accumulated depreciation				
Buildings	\$ 179,050	\$ 216,910	\$ (26,069)	\$ 369,891
Machinery and equipment	196,166	6,804	-	202,970
Total accumulated depreciation	375,216	223,714	(26,069)	572,861
Capital assets being depreciated - net	935,963	(79,337)	(11,173)	845,453
Total business-type activities' capital assets (net of accumulated depreciation)	\$ 958,453	\$ 732,846	\$ (11,173)	\$ 1,680,126

NOTE 7 – LONG-TERM DEBT

Long-term debt of the County's governmental activities for the year ended September 30, 2010, is as follows:

	Balance September 30, 2009	Additions	Deductions	Balance September 30, 2010	Due Within One Year
Loan to purchase lights for Carrabelle, payable in annual payments of \$93,310 including interest at 3.95% maturing December 2011.	\$ 64,283	\$ -	\$ 64,283	\$ -	\$ -
Loan to purchase Lombardi property, payable in monthly payments of \$6,333 including interest at 5.68% maturing April 2028.	999,731	-	37,212	962,519	38,708
Long-term landfill closure and postclosure liability, see note 12.	1,495,320	272,007	-	1,767,327	-
Liability for compensated absences	560,075	-	16,947	543,128	115,686
Total	\$ 3,119,409	\$ 272,007	\$ 118,442	\$ 3,272,974	\$ 154,394

Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)***Maturities of Long-Term Debt***

Future debt service requirements on governmental activities' long-term debt are summarized as follows:

Amount due during year ending September 30,	Note Payable/Lombardi Property		
	Principal	Interest	Total
2011	\$ 38,708	\$ 37,292	\$ 76,000
2012	40,263	35,737	76,000
2013	41,881	34,119	76,000
2014	43,564	32,436	76,000
2015	45,315	30,685	76,000
2016-2020	255,402	124,598	380,000
2021-2025	311,019	68,982	380,001
2026-2028	186,367	9,968	196,335
Total	\$ 962,519	\$ 373,817	\$ 1,336,336

Long-term debt of the County's business-type activities for the year ended September 30, 2010, is as follows:

	Balance September 30, 2009	Additions	Deductions	Balance September 30, 2010	Due Within One Year
Office of Tourism, Trade, and Economic Development - loan #1 payable in quarterly payments of \$11,111 plus interest at 3%. Matures May 2015.	\$ 246,429	\$ -	\$ (32,143)	\$ 214,286	\$ 53,572
Office of Tourism, Trade, and Economic Development - loan #2 payable in quarterly payments of \$11,111 plus interest at 3%. Matures August 2015.	257,143	-	(32,143)	225,000	53,571

Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

	Balance September 30, 2009	Additions	Deductions	Balance September 30, 2010	Due Within One Year
GE - copier lease payable in monthly payments of \$744 including interest at 7%.	\$ 14,011	\$ -	\$ (14,011)	\$ -	\$ -
Popular Leasing – medical night cabinet lease payable in monthly payments of \$259 including interest at 10.8%.	7,605	-	(2,344)	5,261	2,610
NEC Financial Services – telephone system lease payable in monthly payments of \$662 including interest at 13.01%.	7,409	-	(7,409)	-	-
Olympus – Colonoscope lease payable in monthly payments of \$1,731 including interest at 14%.	73,491	13,038	(12,102)	74,427	15,325
Wells Fargo – Endoscope lease payable in monthly payments of \$762 including interest at 4%.	24,385	-	(8,280)	16,105	8,632
Ricoh – copier lease payable in monthly payments of \$1,334 including interest at 25%	-	48,128	(7,949)	40,179	9,096
Liability for compensated absences	117,350	-	(2,499)	114,851	22,970
Total	\$ 747,823	\$ 61,166	\$ (118,880)	\$ 690,109	\$ 165,776

Maturities of Long-Term Debt

Future debt service requirements on business-type activities' long-term debt are summarized as follows:

Amount due during year ending September 30,	OTTED Loan #1			OTTED Loan #2		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 53,570	\$ 7,202	\$ 60,772	\$ 53,571	\$ 7,603	\$ 61,174
2012	42,857	4,339	47,196	42,857	4,661	47,518
2013	42,857	3,054	45,911	42,857	3,375	46,232
2014	42,858	1,768	44,626	42,857	2,090	44,947
2015	32,144	512	32,656	42,858	833	43,691
Total notes payable	\$ 214,286	\$ 16,875	\$ 231,161	\$ 225,000	\$ 18,562	\$ 243,562

Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

Amount due during year ending September 30,	Endoscope			Night Cabinet		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 8,632	\$ 508	\$ 9,140	\$ 2,610	\$ 442	\$ 3,052
2012	7,473	144	7,617	2,651	401	3,052
Total	\$ 16,105	\$ 652	\$ 16,757	\$ 5,261	\$ 843	\$ 6,104

Amount due during year ending September 30,	Copier			Colonoscope		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 9,096	\$ 1,802	\$ 10,898	\$ 15,325	\$ 9,484	\$ 24,809
2012	9,562	1,337	10,899	17,620	7,189	24,809
2013	10,051	848	10,899	20,258	4,551	24,809
2014	10,565	334	10,899	21,224	1,518	22,742
2015	905	3	908	-	-	-
Total	\$ 40,179	\$ 4,324	\$ 44,503	\$ 74,427	\$ 22,742	\$ 97,169

The carrying value of equipment under capital leases net of accumulated depreciation at September 30, 2010 is \$156,675.

NOTE 8 – EMPLOYEE BENEFITS***Retirement Plan*****Plan Description**

The County participates in the Florida Retirement System (System), a cost sharing, multiple-employer defined pension plan administered by the State of Florida Department of Administration, Division of Retirement. The System provides retirement, disability benefits, and death benefits to

Notes to Financial Statements

NOTE 8 – EMPLOYEE BENEFITS (CONTINUED)

plan members or their designated beneficiaries. Chapter 121, Florida Statutes, established the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. Chapter 121 of the Florida Statutes assigns the authority to establish and amend benefits provisions to the Florida Retirement System. However, Article X, Section 14 of the State of Florida Constitution and Part VII, Chapter 112 of the Florida Statutes require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State of Florida Division of Retirement, 1317 Winewood Boulevard, Building 8, Tallahassee, Florida 32399-1560 or by calling 850-414-6346.

Funding Policy

The System provides vesting of benefits after six years of creditable service. Members are eligible for normal retirement after six years of service and attaining age sixty-two, or thirty years of service regardless of age. Early retirement may be taken any time after completing six years of service; however, there is a five-percent benefit reduction for each year prior to normal retirement. Generally, membership is compulsory for all full-time and part-time employees, except for elected county officials who may elect not to participate in the System. Effective July 1, 1998, the Legislature established a Deferred Retirement Option Program (DROP). This program allows eligible employees to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed sixty months after electing to participate. Deferred monthly benefits are held in the Florida Retirement System Trust Fund and accrue interest.

Retirement coverage is employee noncontributory. The rates as a percentage of gross earnings, are as follows:

	October 1, 2009 Through June 30, 2010	July 1, 2010 Through September 30, 2010
Regular employees	9.85%	10.77%
Senior management	13.12%	14.57%
Elected County officials	16.53%	18.64%
Special risk employees	20.92%	23.25%
DROP plan participants	10.91%	12.25%

Notes to Financial Statements

NOTE 8 – EMPLOYEE BENEFITS (CONTINUED)

Contribution rates equal actuarial determined rates. During the year ended September 30, 2010, total payroll for all employees and the retirement contributions for all employees covered by FRS were as follows:

	Covered Payroll	Retirement Contributions
Board of County Commissioners	\$ 2,084,372	\$ 230,055
Clerk of the Circuit Court	696,789	81,586
Sheriff	3,146,572	576,308
Property Appraiser	438,292	47,201
Tax Collector	297,366	36,476
Supervisor of Elections	143,484	21,009
Total	\$ 6,806,875	\$ 992,635

The County's contributions to the Plan for the years ended September 30, 2010, 2009 and 2008 were \$992,635, \$956,640 and \$967,676 respectively, which equal the required contributions. For the year ended September 30, 2010, retirement contributions represent 15% of the County's total covered payroll.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Effective for the 2008 – 2009 fiscal year, the County has implemented Governmental Accounting Standards Board Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions for retiree health insurance. The requirements of this Statement are being implemented prospectively, with the actuarially accrued liability for benefits of \$27,320,000 at transition, amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the postemployment health care benefits liability at the date of implementation.

Plan Description

The County has established the Retiree's Health Insurance Other Post Employment Benefits Plan, a single employer plan. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the County and eligible dependents, may continue to participate in the group insurance plan. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. The County subsidizes the premium rates paid by the retirees by paying 50% of the premium for the retiree, excluding dependent coverage, and also by allowing them to participate in the plan at blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The County currently has approximately 199 total active and retired employees eligible to receive these benefits. No stand alone report is issued for this plan.

Notes to Financial Statements

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)Eligibility

A participant is eligible to receive benefits from the plan upon retirement under the Florida Retirement System plan provisions. To be eligible for retiree benefits, the participant must be covered under the medical plan as an active employee immediately prior to retirement. Participants not eligible for retirement at the time of their termination are not eligible for immediate or future benefits from the plan.

Funding Policy

Although the contribution requirement is established by Statute, the contribution amount required by plan members and the government are established and may be amended by the Franklin County Board of County Commissioners. Currently, members receiving benefits pay half of the full cost (total premium) for medical coverage for individual coverage and 100% of the full cost for dependent coverage.

The contribution rate effective for other eligible County plan members during the year for the implied subsidy is \$252 per month each for each retiree. Dependent coverage is available; however, dependent coverage is not subsidized. The explicit subsidy contribution rate is 50% of the actual premium, \$252 per month during the current year. This valuation includes both the implied and explicit subsidies.

The County has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. Rather, the funding is based on a pay-as-you-go basis. During the fiscal year, the County provided contributions of \$311,000 toward the annual OPEB cost. A Schedule of Employer Contributions can be found in required supplementary information immediately following the notes.

Annual OPEB Cost and Net OPEB Obligation

The following table shows the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Description	Total
Normal cost (service cost for one year)	\$ 2,361,000
Amortization of unfunded actuarial accrued liability	2,092,000
Amortization of net OPEB obligation	365,000
Annual required contribution	4,818,000
Interest on net OPEB obligation	169,000
Adjustment to annual required contribution	(365,000)
Annual OPEB cost (expense)	4,622,000
Contribution toward the OPEB cost	311,000
Interest on employer contribution	7,000
Increase in net OPEB obligation	4,304,000
Net OPEB obligation, beginning of year	4,229,000
Net OPEB obligation, end of year	\$ 8,533,000

Notes to Financial Statements

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2010 was as follows:

Year ending September 30,	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2008	N/A	N/A	N/A
2009	\$ 4,547,000	7%	\$ 4,229,000
2010	\$ 4,818,000	7%	\$ 4,304,000

Funding Status and Funding Progress

The funding status and funding progress information can be found in the Schedule of Funding Progress which is presented as required supplementary information immediately following the notes. This schedule presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Actuarial Methods and Assumptions

The County had an actuarial valuation completed for the fiscal year ended September 30, 2009. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, in effect at the valuation date and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The initial OPEB actuarial valuation method used for the County was the projected unit credit actuarial cost method. This method is used to estimate the actuarial liabilities and costs. This method was selected because it produced the best estimate of the OPEB liability and annual cost for the County employees. The actuarial assumptions include a 4% rate of return on investments for the County. Healthcare claims are assumed to increase at a rate of 3.0% per year due to aging. The actuarial assumptions also include an annual healthcare cost trend rate. For the County, this rate begins with an initial rate for 2008-09 fiscal year of 10%. It decreases 0.5% each year reaching a future year's rate of 5.0%. The unfunded actuarial accrued liability is being amortized with a 15-year open period. The remaining open amortization period at September 30, 2009 is 14 years.

Notes to Financial Statements

NOTE 10 – FUND EQUITY

Reserved Fund Equity

Reservations of equity show amounts that are not appropriated for expenditure or are legally restricted for specific uses. The purpose for each is indicated as follows:

Funds	Purpose	Amount
Board of County Commissioners Special revenue	Landfill escrow	\$ 698,888
Total		\$ 698,888

NOTE 11 – RISK MANAGEMENT

The Sheriff participates in the Florida Sheriff's Self-Insurance Fund Program, administered by the Florida Sheriff's Association. The program is considered a public entity risk pool which purchases insurance policies on behalf of its members. The pool's members are not obligated for risk associated with such coverage. Coverage under this program includes general liability, public officials' liability and public employees' blanket bond.

The funding agreements provide that the self-insurance fund will be self-sustaining through member premiums and that the Sheriff's liability fund will reinsure through commercial companies. Aggregate coverage provided by the liability fund is \$3,500,000 for professional liability and \$3,300,000 for public officials' coverage.

The Sheriff provides for automobile liability coverage and workers' compensation coverage through the Board. The Board established a risk management program to administer both its uninsured and insured risk of loss.

There has been no significant reduction in insurance coverage from the prior year and there have been no settlements in excess of insurance coverage in the past three years.

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; injuries to employees and/or the public; or damage to property of others. The County is a member of the Florida Association of Counties Trust (the Trust) for its general liability insurance coverage. The County pays an annual premium to the Trust and a debt service payment to the pooled liability insurance program revenue bond. The Trust is to be self-sustaining through member premiums and will reinsure through commercial companies for certain claims. The County continues to purchase commercial insurance to cover their other risks of loss. Insurance against losses are provided for the following types of risk:

- Workers' compensation and employer's liability
- General and automobile liability
- Real and personal property damage

NOTE 11 – RISK MANAGEMENT (CONTINUED)

- Public officials' liability
- Accidental death and dismemberment

The County's coverage for workers' compensation is under a retrospectively rated policy. Premiums are accrued based on the ultimate cost to-date of the County's experience for this type of risk.

NOTE 12 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The County maintains a special revenue fund for its landfill management escrow account to ensure the availability of financial resources for closing the landfill. The escrow account balance is \$698,888 at September 30, 2010. Receipt of waste at the County's Class I central landfill has been indefinitely suspended and the County contracts for waste to be transported out of the County. In the event operations were to resume at the Class I landfill, there are about two years remaining capacity. Currently, the County also operates a Class III landfill.

State and federal laws and regulations require the County to place a final cover on its landfill sites when it stops accepting waste, and to perform certain maintenance and monitoring functions at the site for approximately thirty years after closure. The \$1,767,327 amount reported as landfills closure and postclosure care liability at September 30, 2010 (see note 7), represents the portion of costs to be incurred and reported as a liability to-date based on the use of 56% of the Class I landfill estimated capacity and 100% of the Class III (original) and 12% of the Class III (expansion) landfill estimated capacity. Total estimated costs are projected at \$680,123 for closure and \$2,427,970 for postclosure care at current prices. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The Board follows GASB Statement No. 18 entitled *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*.

NOTE 13 – LITIGATION AND CONTINGENT LIABILITIES

The County is involved in various litigation arising in the ordinary course of business, including contested ad valorem tax assessments as well as a number of claims by developers and land owners for the County's denial of land use changes. In the opinion of management, after consultation with legal counsel, these matters will be resolved without a material adverse effect on the County's financial position.

NOTE 14 – LEASE OF FRANKLIN COUNTY AIRPORT

The County leases out the Franklin County Airport under a twenty-year lease expiring in the year 2012, with up to four renewal options available aggregating an additional twenty-five years. The lessee paid the County the negotiated sum of \$1,500 monthly for hangar rental and parking space based on the terms of the lease for the year ended September 30, 2010. The County also receives five cents per gallon for all aviation fuel sold at the airport and 5% of the net monthly rental for the area utilized for T-hangars.

NOTE 15 – LOCAL OPTION GAS TAX

The County adopted an ordinance effective January 1, 1998, for a period of twenty years providing for a five-cent per gallon local option gas tax on fuel sold in the County. The proceeds of this tax are being expended on road construction and road maintenance. The tax generates approximately \$300,000 in annual revenue.

Required Supplementary Information

Franklin County, Florida
 Required Supplementary Information
 September 30, 2010

Schedule of Funding Progress for the Retiree's Health Insurance Other Post Employment Benefits Plan:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Liabilities (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
October 1, 2008	N/A	N/A	N/A	N/A	N/A	N/A
October 1, 2009	-	\$ 27,320,000	\$ 27,320,000	0.0%	\$ 6,567,000	416%
October 1, 2010	-	\$ 27,320,000	\$ 27,320,000	0.0%	\$ 6,807,000	401%

Schedule of Employer Contributions for the Retiree's Health Insurance Other Post Employment Benefits Plan:

Fiscal Year Ended September 30,	Actual Contribution	Annual Required Contribution	Percentage Contributed
2008	N/A	N/A	N/A
2009	\$ 311,000	\$ 4,547,000	7%
2010	\$ 311,000	\$ 4,818,000	7%

Combining Financial Statements

Franklin County, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2010

	Special Revenue					
	County Road and Bridge	911 Trust	Landfill	Sheriff's Special Revenue	Pier	Fire Protection
Assets						
Cash and cash equivalents	\$ 34,739	\$ 399,558	\$ 133,581	\$ 109,914	\$ 1,215,935	\$ 54,015
Equity in pooled cash	236,091	-	698,888	-	442,459	-
Due from other funds	15,479	-	-	-	-	-
Due from other governmental units	211,706	19,607	-	1,434	-	-
Notes receivable	-	-	-	-	-	-
Accounts receivable, net	8,154	-	52,322	-	-	3,720
Total assets	\$ 506,169	\$ 419,165	\$ 884,791	\$ 111,348	\$ 1,658,394	\$ 57,735
Liabilities and fund balances						
Liabilities						
Customer deposits	\$ -	\$ -	\$ 12,500	\$ -	\$ -	\$ -
Vouchers payable	30,084	122	27,758	1,420	-	33,991
Due to other governmental units	39	-	-	-	-	-
Due to other funds	40,323	-	-	-	-	23,744
Deferred revenue	-	305,831	-	-	-	-
Total liabilities	70,446	305,953	40,258	1,420	-	57,735
Fund balances						
Reserved for landfill escrow	-	-	698,888	-	-	-
Unreserved	435,723	113,212	145,645	109,928	1,658,394	-
Total fund balances	435,723	113,212	844,533	109,928	1,658,394	-
Total liabilities and fund balances	\$ 506,169	\$ 419,165	\$ 884,791	\$ 111,348	\$ 1,658,394	\$ 57,735

(Continued)

Franklin County, Florida
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
September 30, 2010

	Special Revenue					
	Airport	Recycling	Bald Point Trust	Library	Tourist Development	Mosquito Control
Assets						
Cash and cash equivalents	\$ 84,181	\$ -	\$ 120,095	\$ 50,895	\$ 685,003	\$ 10,528
Equity in pooled cash	-	-	297,032	-	73,760	21,487
Due from other funds	820	-	-	-	7,295	2,876
Due from other governmental units	247,771	-	-	-	119,138	-
Notes receivable	-	-	-	-	-	-
Accounts receivable, net	4,296	-	-	113	-	-
Total assets	\$ 337,068	\$ -	\$ 417,127	\$ 51,008	\$ 885,196	\$ 34,891
Liabilities and fund balances						
Liabilities						
Customer deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Vouchers payable	227,235	-	-	2,605	58,814	13,821
Due to other governmental units	-	-	-	216	2,000	-
Due to other funds	2,272	-	-	-	2,050	1,447
Deferred revenue	-	-	-	-	-	-
Total liabilities	229,507	-	-	2,821	62,864	15,268
Fund balances						
Reserved for landfill escrow	-	-	-	-	-	-
Unreserved	107,561	-	417,127	48,187	822,332	19,623
Total fund balances	107,561	-	417,127	48,187	822,332	19,623
Total liabilities and fund balances	\$ 337,068	\$ -	\$ 417,127	\$ 51,008	\$ 885,196	\$ 34,891

(Continued)

Franklin County, Florida
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
September 30, 2010

	Special Revenue				
	Clerk's Fine and Forfeitures	Clerk Modernization Trust	Property Appraisers Special Revenue	Supervisor of Elections Special Revenue	Law Enforcement Educational Trust
Assets					
Cash and cash equivalents	\$ 69,902	\$ 117,873	\$ 541	\$ -	\$ 67,919
Equity in pooled cash	-	-	-	-	-
Due from other funds	19,260	6,652	-	-	280
Due from other governmental units	-	-	-	-	-
Notes receivable	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-
Total assets	\$ 89,162	\$ 124,525	\$ 541	\$ -	\$ 68,199
Liabilities and fund balances					
Liabilities					
Customer deposits	\$ -	\$ -	\$ -	\$ -	\$ -
Vouchers payable	12,959	131	-	-	-
Due to other governmental units	47,370	-	-	-	-
Due to other funds	1,942	-	-	-	-
Deferred revenue	26,891	-	-	-	-
Total liabilities	89,162	131	-	-	-
Fund balances					
Reserved for landfill escrow	-	-	-	-	-
Unreserved	-	124,394	541	-	68,199
Total fund balances	-	124,394	541	-	68,199
Total liabilities and fund balances	\$ 89,162	\$ 124,525	\$ 541	\$ -	\$ 68,199

(Continued)

Franklin County, Florida
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
September 30, 2010

	Special Revenue				Total Nonmajor Governmental Funds
	Neighborhood Revitalization CDBG	Law Enforcement Trust	Economic Development CDBG	Capital Projects	
Assets					
Cash and cash equivalents	\$ 9,560	\$ 3,139	\$ 12,655	\$ 352,694	\$ 3,532,727
Equity in pooled cash	-	-	265,552	549,124	2,584,393
Due from other funds	-	-	-	-	52,662
Due from other governmental units	-	-	-	-	599,656
Notes receivable	-	-	327,900	-	327,900
Accounts receivable, net	-	-	-	-	68,605
Total assets	\$ 9,560	\$ 3,139	\$ 606,107	\$ 901,818	\$ 7,165,943
Liabilities and fund balances					
Liabilities					
Customer deposits	\$ -	\$ -	\$ -	\$ -	\$ 12,500
Vouchers payable	-	-	-	-	408,940
Due to other governmental units	-	-	-	-	49,625
Due to other funds	-	-	-	-	71,778
Deferred revenue	-	-	327,900	-	660,622
Total liabilities	-	-	327,900	-	1,203,465
Fund balances					
Reserved for landfill escrow	-	-	-	-	698,888
Unreserved	9,560	3,139	278,207	901,818	5,263,590
Total fund balances	9,560	3,139	278,207	901,818	5,962,478
Total liabilities and fund balances	\$ 9,560	\$ 3,139	\$ 606,107	\$ 901,818	\$ 7,165,943

Franklin County, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended September 30, 2010

	Special Revenue					
	County Road and Bridge	911 Trust	Landfill	Sheriff's Special Revenue	Pier	Fire Protection
Revenues						
Taxes	\$ 13,410	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,251,017	70,709	-	17,079	-	-
Fines and forfeitures	-	-	-	15,440	-	-
Charges for services	-	39,572	422,003	-	-	-
Investment earnings and other	10,425	13,963	3,023	58,223	16,485	341,014
Total revenues	1,274,852	124,244	425,026	90,742	16,485	341,014
Expenditures						
Current						
General government	-	-	-	-	-	-
Public safety	-	47,052	-	40,811	-	341,014
Physical environment	-	-	312,783	-	-	-
Transportation	1,354,207	-	-	-	-	-
Economic environment	-	-	-	-	-	-
Human services	-	-	-	-	-	-
Culture and recreation	-	-	-	-	6,884	-
Court related	-	-	-	-	-	-
Capital outlay	4,712	21,440	-	8,033	-	-
Debt service	-	-	-	-	-	-
Total expenditures	1,358,919	68,492	312,783	48,844	6,884	341,014
Excess (deficit) of revenues over (under) expenditures	(84,067)	55,752	112,243	41,898	9,601	-
Other financing sources (uses)						
Transfers in	246,383	-	-	-	-	-
Transfers out	-	(55,751)	(250,000)	(16,711)	-	-
Reversion to State of Florida	-	-	-	-	-	-
Total other financing sources (uses)	246,383	(55,751)	(250,000)	(16,711)	-	-
Net change in fund balances	162,316	1	(137,757)	25,187	9,601	-
Fund balances - beginning	273,407	113,211	982,290	84,741	1,648,793	-
Fund balances - ending	\$ 435,723	\$ 113,212	\$ 844,533	\$ 109,928	\$ 1,658,394	\$ -

(Continued)

Franklin County, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
Year Ended September 30, 2010

	Special Revenue					
	Airport	Recycling	Bald Point Trust	Library	Tourist Development	Mosquito Control
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 754,234	\$ -
Intergovernmental	1,288,777	-	-	65,472	504,700	37,683
Fines and forfeitures	-	-	-	-	-	-
Charges for services	-	26,594	-	-	-	-
Investment earnings and other	62,651	355	11,916	5,626	368,369	371
Total revenues	1,351,428	26,949	11,916	71,098	1,627,303	38,054
Expenditures						
Current						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Physical environment	-	-	-	-	-	-
Transportation	260,837	-	-	-	-	-
Economic environment	-	-	-	-	1,113,241	-
Human services	-	-	-	-	-	145,384
Culture and recreation	-	-	-	233,771	354,624	-
Court related	-	-	-	-	-	-
Capital outlay	1,070,026	-	-	15,478	-	11,085
Debt service	-	-	-	-	76,000	-
Total expenditures	1,330,863	-	-	249,249	1,543,865	156,469
Excess (deficit) of revenues over (under) expenditures	20,565	26,949	11,916	(178,151)	83,438	(118,415)
Other financing sources (uses)						
Transfers in	-	-	-	165,922	-	94,602
Transfers out	-	(149,855)	-	-	(50,000)	-
Reversion to State of Florida	-	-	-	-	-	-
Total other financing sources (uses)	-	(149,855)	-	165,922	(50,000)	94,602
Net change in fund balances	20,565	(122,906)	11,916	(12,229)	33,438	(23,813)
Fund balances - beginning	86,996	122,906	405,211	60,416	788,894	43,436
Fund balances - ending	\$ 107,561	\$ -	\$ 417,127	\$ 48,187	\$ 822,332	\$ 19,623

(Continued)

Franklin County, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
Year Ended September 30, 2010

	Special Revenue				
	Clerk's Fine and Forfeitures	Clerk Modernization Trust	Property Appraisers Special Revenue	Supervior of Elections Special Revenue	Law Enforcement Educational Trust
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	646,964	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Charges for services	-	41,879	-	-	4,201
Investment earnings and other	-	530	3	1,196	328
Total revenues	646,964	42,409	3	1,196	4,529
Expenditures					
Current					
General government	-	4,939	-	126	-
Public safety	-	28,230	-	-	-
Physical environment	-	-	-	-	-
Transportation	-	-	-	-	-
Economic environment	-	-	-	-	-
Human services	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Court related	556,288	-	-	-	-
Capital outlay	11,325	13,707	-	-	-
Debt service	-	-	-	-	-
Total expenditures	567,613	46,876	-	126	-
Excess (deficit) of revenues over (under) expenditures	79,351	(4,467)	3	1,070	4,529
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	(1,070)	-
Reversion to State of Florida	(79,351)	-	-	-	-
Total other financing sources (uses)	(79,351)	-	-	(1,070)	-
Net change in fund balances	-	(4,467)	3	-	4,529
Fund balances - beginning	-	128,861	538	-	63,670
Fund balances - ending	\$ -	\$ 124,394	\$ 541	\$ -	\$ 68,199

(Continued)

Franklin County, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
Year Ended September 30, 2010

	Special Revenue				Total Nonmajor Governmental Funds
	Neighborhood Revitalization CDBG	Law Enforcement Trust	Economic Development CDBG	Capital Projects	
Revenues					
Taxes	\$	-	\$	-	\$ 767,644
Intergovernmental	-	-	-	-	3,882,401
Fines and forfeitures	-	-	-	-	15,440
Charges for services	-	-	-	-	534,249
Investment earnings and other	-	15	782	5,433	900,708
Total revenues	-	15	782	5,433	6,100,442
Expenditures					
Current					
General government	-	-	-	-	5,065
Public safety	-	-	-	-	457,107
Physical environment	-	-	-	-	312,783
Transportation	-	-	-	-	1,615,044
Economic environment	-	-	-	-	1,113,241
Human services	-	-	-	-	145,384
Culture and recreation	-	-	-	-	595,279
Court related	-	-	-	-	556,288
Capital outlay	-	-	-	-	1,155,806
Debt service	-	-	-	-	76,000
Total expenditures	-	-	-	-	6,031,997
Excess (deficit) of revenues over (under) expenditures	-	15	782	5,433	68,445
Other financing sources (uses)					
Transfers in	-	-	-	-	506,907
Transfers out	-	-	-	-	(523,387)
Reversion to State of Florida	-	-	-	-	(79,351)
Total other financing sources (uses)	-	-	-	-	(95,831)
Net change in fund balances	-	15	782	5,433	(27,386)
Fund balances - beginning	9,560	3,124	277,425	896,385	5,989,864
Fund balances - ending	\$ 9,560	\$ 3,139	\$ 278,207	\$ 901,818	\$ 5,962,478

Franklin County, Florida
Combining Balance Sheet
Agency Funds
September 30, 2010

Agency Funds - Clerk

	Trust Funds	Registry of Court	Child Support
Assets			
Cash and cash equivalents	\$ 75,538	\$ 41,195	\$ 360
Total assets	\$ 75,538	\$ 41,195	\$ 360
Liabilities			
Due to individuals	\$ 160	\$ 41,195	\$ 360
Due to other funds	35,054	-	-
Due to other governments	40,324	-	-
Deposits	-	-	-
Installments	-	-	-
Total liabilities	\$ 75,538	\$ 41,195	\$ 360

(Continued)

Franklin County, Florida
 Combining Balance Sheet
 Agency Funds (Continued)
 September 30, 2010

	<u>Agency Funds - Sheriff</u>		<u>Agency Funds - Tax Collector</u>		Total
	Bonds	Inmate Trust	Tax	Tag Agency	
Assets					
Cash and cash equivalents	\$ 4,120	\$ 4,913	\$ 173,569	\$ 11,142	\$ 310,837
Total assets	\$ 4,120	\$ 4,913	\$ 173,569	\$ 11,142	\$ 310,837
Liabilities					
Due to individuals	\$ 4,120	\$ 4,913	-	-	\$ 50,748
Due to other funds	-	-	-	5,286	40,340
Due to other governments	-	-	48,292	5,856	94,472
Deposits	-	-	1,015	-	1,015
Installments	-	-	124,262	-	124,262
Total liabilities	\$ 4,120	\$ 4,913	\$ 173,569	\$ 11,142	\$ 310,837

Compliance Section

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Honorable Members of the
Board of County Commissioners
Franklin County, Florida

We have audited the financial statements of Franklin County, Florida (County) as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated June 24, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, Independent Auditor's Report on Compliance with Requirements Applicable to each Major Federal Program and State Project and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated June 24, 2011, 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 reports or schedule.

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial report to the extent considered necessary by the County, except as repeated in the Schedule of Findings and Questioned Costs.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that Franklin County, Florida complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts, grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. Franklin County, Florida was established by the Constitution of the State of Florida, Article VIII, Section 1(e). The name or official title and legal authority for the primary government and each component unit of the reporting entity are disclosed in note 1 of the notes to financial statements.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that Franklin County, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for Franklin County, Florida for the fiscal year ended September 30, 2010, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the County's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Carr, Riggs & Ingram, L.L.C.

June 24, 2011

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

Honorable Members of the
Board of County Commissioners
Franklin County, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Franklin County, Florida as of and for the year ended September 30, 2010, which collectively comprise Franklin County, Florida's basic financial statements and have issued our report thereon dated June 24, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Franklin County, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting: 10-01 and 10-02. A significant deficiency is a deficiency, or 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.

Management's responses to auditor's comments are included on the attached schedule of findings and questioned costs. We did not audit the responses and, accordingly, we express no opinion on them.

Compliance and other matters

As part of obtaining reasonable assurance about whether Franklin County, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Caru, Riggs & Ingram, L.L.C.

June 24, 2011

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

Honorable Members of the
Board of County Commissioners
Franklin County, Florida

Compliance

We have audited Franklin County, Florida's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the Florida Department of Financial Services' *State Projects Compliance Supplement* could have a direct and material effect on each of the County's major federal programs and state financial assistance projects for the year ended September 30, 2010. Franklin County, Florida's major federal 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 major programs is the responsibility of Franklin County, Florida's management. Our responsibility is to express an opinion on Franklin County, Florida's compliance based on our audit.

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

In our opinion, Franklin County, Florida, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major programs for the year ended September 30, 2010.

Internal Control Over Compliance

Management of Franklin County, Florida is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs and state projects. In planning and performing our audit,

we considered Franklin County, Florida's internal control over compliance with requirements that could have a direct and material effect on a major program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, 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 Franklin County, Florida's internal control over compliance.

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

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

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

Carri Riggs & Ingram, L.L.C.

June 24, 2011

Franklin County, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance
Year Ended September 30, 2010

Federal Award Programs	CFDA Number	Contract /Grant Number	Expenditures
U.S. Department of Agriculture Forest Service			
Passed through Florida Department of Financial Services Schools and Roads Grant	10.665	n/a	\$ 23,256
Total National Forest/Timber Products Trust Fund			23,256
U.S. Department of Commerce			
Passed through National Oceanic and Atmospheric Administration Unallied Management Projects	11.454	015852	112,000
Total U.S. Department of Commerce			112,000
U.S. Department of Justice			
Passed through Department of Legal Affairs Crime Victim Assistance	16.575	V7132	17,079
Passed through Florida Department of Law Enforcement Recovery Act - Edward Byrne Memorial Justice Assistance Grant			
ARRA - Edward Byrne Law Enforcement Grant	16.803	2010-ARRC-FRAN-1-W7-261	436,155
ARRA - Edward Byrne Law Enforcement Grant	16.803	2010-ARRD-FRAN-1-W8-046	3,168
Edward Byrne Memorial Justice Assistance Grant Digital Recorder Grant	16.738	2010-JAGC-FRAN-1-4Y-025	1,000
Edward Byrne Memorial Formula Grant Program Narcotics Unit Urban Enforcement	16.579	2010-JAGC-FRAN-1-4X-159	88,727
Bulletproof Vest Partnership Program	16.607	1121-0235	3,032
Total U.S. Department of Justice			549,161
U.S. Department of Transportation			
Passed through Florida Department of Transportation Highway Planning and Construction			
SR30 (US98) MULTI-USE PATH CARRABELLE BEACH	20.205	42574013801	26,516
SR300 (Franklin Blvd.) St. George Island Sidewalks	20.205	42663315801	53,320
SGI Sidewalks (Pine)	20.205	42668115801	98,746
CR384 Bluff Road Sidewalk Extension	20.205	42662315801	116,145
SGI MULTI-USE PATH (PHASE III)(#ANR29)	20.205	221381-2-58-01	4,517
Airport Improvement Program Airport- Land Acquisition for Runway 1-3 RPZ	20.106	41818719401	12,492
Airport- Land Acquisition for Runway 1-3 RPZ	20.106	41604729401	10,458
Passed through Federal Aviation Administration Airport Improvement Program			
Airport- Aquire Land for Runway 1-3 Approach Phase II	20.106	3-12-0001-005-2009	243,516
Airport- Aquire Land for Runway 1-3 Approach Phase II	20.106	3-12-0001-004-2009	192,534
Total U.S. Department of Justice			758,244
U.S. Department of Homeland Security			
Passed through Florida Department of Revenue State Rual Hospital Flexibility Program	93.241	n/a	25,000
Child Support Enforcement Title IV-D CSE	93.563	n/a	2,356
Child Support Enforcement HRS Service of Process	93.563	n/a	35,877
Total U.S. Department of Health & Human Services			63,233
U.S. Department of Homeland Security			
Passed through Florida Department of Community Affairs Distaster Grants - Public Assistance			
FEMA-DR-1806-FL Hurricane Gustav	97.036	09-PA-00-02-29-13-504	20,597
Emergency Management Performance Grant	97.042	11-FG-7W-02-29-001-038	48,389
Homeland Security Grant	97.067	08DS-60-02-29-01-167	48,546
Homeland Security Grant	97.067	09DS-51-02-29-01-362	18,000
Total U.S. Department of Homeland Security			135,532
Total Expenditures of Federal Awards			\$ 1,641,426

Franklin County, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance (Continued)
Year Ended September 30, 2010

State Financial Assistance Projects	CSFA Number	Contract/Grant Number	Expenditures
Department of Environmental Protection			
Small County Consolidated Grants	37.012	008SC	\$ 78,780
Special Recreation Assistance Projects			
St. George Island Lighthouse Park	37.071	L0711	19,930
Lombardis Seafood Landing Park	37.071	L0813	61,150
Total Department of Environmental Protection			159,860
Department of Agriculture			
Mosquito Control	42.003	14950	37,683
Aquaculture Development Projects	42.015	015581	16,150
Total Department of Agriculture			53,833
Department of State			
State Aid to Libraries	45.030	n/a	65,472
Total Department of State			65,472
Department of Community Affairs			
Emergency Management Preparedness Grant	52.008	10-BG-25-02-29-01-065	102,724
Total Department of Community Affairs			102,724
Florida Housing Finance Agency			
State Housing Initiatives Partnership (SHIP) Program	52.901	2008/2009	75,429
Impact Fee Proviso Funds	52.901	2009/2010	350,000
Florida Homebuyer Opportunity Program	52.901	2009/2010	18,000
Total Florida Housing Finance Agency			443,429
Department of Transportation			
Aviation Development Grants			
Airport Relocate Water & Sewer	55.004	AP088	116,873
Airport Construct/Extend Entrance Road	55.004	AO271	50,727
Airport Corporate Hangar/Office	55.004	AOB91	10,248
Airport Drainage System Repair	55.004	AOL60	101,992
Airport Land Survey and Appraisal	55.004	AOZ2501	5,760
Airport 10,000 SF Hangar Phase II	55.004	APA06	193,219
Airport 10,000 SF Hangar/Office Phase III	55.004	APC84	69,959
Airport Rehabilitate County Hangar Phase II	55.004	APA07	200
County Incentive Grant Program			
Resurface CR30 to Marine Street Carrabelle	55.008	APM79	266,207
Small County Outreach Program			
SCOP - Avenue A	55.009	APM23	219,793
Transportation Regional Incentive Grants			
Airport 10,000 SF Hangar/Office	55.026	AOV01601	164,040
Airport Rehab Runway 6-24	55.026	AOV07	1,538
Airport Stormwater Sewer Upgrade	55.026	AP925	115,221
Total Florida Housing Finance Agency			1,315,777

(Continued)

Franklin County, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance (Continued)
Year Ended September 30, 2010

State Financial Assistance Projects	CSFA Number	Contract/Grant Number	Expenditures
Department of Health			
Rural Hospital Capital Improvement	64.002	n/a	\$ 19,751
EMS Matching Awards	64.003	n/a	7,639
County Grant Awards	64.005	n/a	3,959
Total Department of Health			31,349
Department of Management Services			
E911 State Grant Program	72.002	n/a	49,712
Total Department of Management Services			49,712
State Courts System - Office of Court Administration			
Courthouse Facilities Grant	22.004	n/a	70,771
Total Office of Court Administration			70,771
Florida Fish & Wildlife Conservation Commission			
Florida Boating Improvement Program			
Ochlockonee Bay Boat Ramp	77.006	07097	5,640
Ochlockonee Bay Boat Ramp Phase II	77.006	08067	458,486
Total Florida Fish & Wildlife Conservation Commission			464,126
Total Expenditures of State Financial Assistance			\$ 2,757,053

Franklin County, Florida
 Schedule of Findings and Questioned Costs
 Year Ended September 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified
 Internal control over financial reporting
 Material weakness(es) identified? ___ yes X no
 Significant deficiency(ies) identified not
 considered to be material weaknesses? X yes ___ none reported
 Noncompliance material to financial statements noted? ___ yes X no

Federal Awards and State Financial Assistance

Internal control over major programs
 Material weakness(es) identified? ___ yes X no
 Significant deficiency(ies) identified not
 considered to be material weaknesses? ___ yes X none reported
 Type of auditor's report issued on compliance
 for major programs: Unqualified
 Any audit findings disclosed that are required
 to be reported in accordance with Circular A-133, Section .510(a)
 or Chapter 10.557, Rules of the Auditor General? ___ yes X no

Identification of major federal programs and state projects:

<u>CFDA/CSFA Number</u>	<u>Name of Federal Award/State Financial Assistance Project</u>
20.106	Department of Transportation Airport Improvement Program
16.803	Department of Justice ARRA - Edward Byrne Law Enforcement Grant
52.008	Department of Community Affairs Emergency Management Preparedness Grant
55.004	Department of Transportation Aviation Development Grants
55.008	Department of Transportation County Incentive Grant Program
77.006	Florida Fish & Wildlife Conservation Commission Florida Boating Improvement Program

(Continued)

Franklin County, Florida
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2010

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

Section II - Financial Statement Findings

10-01 (Prior year 09-01) Significant Audit Adjustments

Board of County Commissioners, Supervisor of Elections
Property Appraiser, Sheriff, Clerk of the Circuit Court, and Tax Collector

Significant adjustments to the financial records were made in order for the financial statements to conform to U.S. generally accepted accounting principles.

Management's response -

We realize that ideally our internal control system should be designed in a manner that ensures the accuracy of the financial statements and that the auditors should not have to recommend journal entries to see that they conform to U.S. generally accepted accounting principles. However, we do not feel that in the near future the benefits derived from investing in the resources necessary for us to implement an effective internal control system to do this would outweigh the cost of those resources.

10-02 (Prior year 09-02) Inadequate Design of Internal Controls

Board of County Commissioners, Supervisor of Elections
Property Appraiser, Sheriff, Clerk of the Circuit Court, and Tax Collector

Inadequate design of internal control over the preparation of the financial statements being audited gives rise to a significant deficiency in internal control.

Management's response -

Our auditors assist us with the preparation of our financial statements. We do not feel that in the near future the benefits derived from investing in the in the resources necessary for us to prepare our own financial statements would outweigh the cost of those resources.

10-03 (Prior year 09-03) Need for Segregation of Duties

Supervisor of Elections, Property Appraiser
Sheriff, Clerk of the Circuit Court, and Tax Collector

Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate. Proper segregation of duties includes the requirement that no single person has (1) the ability to authorize transactions, (2) access to assets, and (3) the ability to record financial transactions. The failure to maintain separation of these functions subjects the County to the risk that material misstatements or fraud may occur and not be detected by employees in a timely manner during the performance of their assigned tasks. The limited number of employees within certain offices precludes ideal segregation of duties. We recommend that in the absence of the ability to hire additional employees, alternative procedures, including additional oversight with regard to certain functions, be performed regularly to mitigate the risk caused by this deficiency in internal controls.

(Continued)

Franklin County, Florida
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2010

Management's response -

Due to the small number of employees, it is virtually impossible to maintain complete separation of accounting and administrative duties among employees. However, every effort is being made to accomplish a more effective internal procedure.

Section III - Findings and Questioned Costs - Major Federal Award Programs and State Financial Assistance Projects

No such findings or questioned costs in the current year.

Section IV - Other Issues

No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to major programs.

No Corrective Action Plan is required because there were no findings required to be reported.

Franklin County, Florida
Notes to Schedule of Expenditures of
Federal Awards and State Financial Assistance
Year Ended September 30, 2010

NOTE 1 – BASIS OF ACCOUNTING

The schedule of expenditures of federal awards and state financial assistance includes the grant activity of the County. The schedule is presented on the modified accrual basis of accounting.

NOTE 2 – REPORTING ENTITY

For the purpose of the schedule of expenditures of federal awards and state financial assistance, the County includes all the funds of the primary government as defined by GASB Statement Numbers 14 and 39.

NOTE 3 – PASS-THROUGH AWARDS

The Board received certain federal awards from pass-through awards of the State of Florida. The total amount of such pass-through awards is included on the schedule of expenditures of state financial assistance.