

**Franklin County, Florida**  
**Annual Financial Report**  
**September 30, 2013**

**Vance CPA, LLC**

*Certified Public Accountant*

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**BOARD OF COUNTY COMMISSIONERS**

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Noah Lockley, Jr. – District 3

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**Property Appraiser**

Rhonda Skipper

**Supervisor of Elections**

Ida C. Elliott

**FRANKLIN COUNTY, FLORIDA**  
SEPTEMBER 30, 2013

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**FRANKLIN COUNTY, FLORIDA**  
SEPTEMBER 30, 2013

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

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, (the "County"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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 from material misstatement.

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

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

### **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, 2013, and the respective changes in

financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund, SHIP fund, and the economic development fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 and schedules of funding progress and employees contribution for retiree's health insurance other post employment benefits plan on page 50 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 statement, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550 Rule of the Auditor General of the State of Florida, and the combining nonmajor fund financial statements are presented for purposes of additional analysis and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2014, on our consideration of the 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 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* in considering Franklin County, Florida's internal control over financial reporting and compliance.

*Vance CPA LLC*

**Vance CPA LLC**  
June 25, 2014

**FRANKLIN COUNTY  
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 position decreased \$3,668,798 or 3.5% from September 30, 2012, to September 30, 2013.
- During the year ended September 30, 2013, the financial statements show that the County's general fund expenditures exceeded revenues by \$319,124. However, total expenditures in the general fund were less than budgeted amounts.
- The County's capital assets, net of accumulated depreciation, decreased \$2,192,800 which represents a decrease of 2% for the year.

**Nonfinancial Events**

- The American Recovery and Reinvestment Act provided \$242,000 in federal grant funds to replace aging sports lighting at Vrooman Park with new energy efficient sports lighting. Eighty-six energy efficient sports lamps were installed onto existing poles which provide illumination for three different fields.
- The St. George Island seawall and access road sustained damage from storm surge and wave action during Tropical Storm Debby in 2012. The cost to repair the damage was \$558,529. The county received assistance from FEMA to make the necessary repairs – the St. George Island Fishing Pier Maintenance Fund provided the 12.5% required local responsibility. Repairs are 30% complete at this time.
- In 2005, the storm surge from Hurricane Dennis damaged in excess of 1,585 linear feet of coastal County Road 370 on Alligator Point. The county received assistance from FEMA to relocate the coastal portion of the road –lots 1-4 of Alligator Harbor were purchased and engineering of the relocation has already begun.
- Through a grant funded by the Florida Department of Transportation, the County purchased a new sweeper truck to be used on the runways at the Apalachicola/Franklin County Regional Airport. The airport has three runways each measuring 5,271 feet and encompasses approximately 1,100 acres.
- The Franklin County Public Library in Eastpoint moved from a small leased location to a new 5,000 square foot facility that was constructed by the non-profit organization Friends of the Franklin County Libraries. The county has signed a one year lease with the Friends that is set to renew on October 1, 2014.
- In January of 2008, Franklin County began levying the 1% Discretionary Sales Surtax for health care on all taxable purchases. The proceeds of the 1% Discretionary Sales Surtax is split between capital outlay and operating expenses for the local Weems Memorial Hospital. The current balance available in the Health Care Trust Fund for capital improvements is \$1,369,147.

- The County's 2012 gross taxable value as certified by the Franklin County Property Appraiser declined 248 million dollars from the 2011 certified value. The millage rate was increased to 5.9637 mills in Fiscal Year 2012/2013 with budgeted property tax proceeds of \$9,843,080. The budgeted proceeds were \$385,413 more than the budgeted proceeds in Fiscal Year 2011/2012. The 2011/2012 budget was funded in part by a contract with the State of Florida for the local jail to house state inmates. This contract had an annual value of \$292,000 and had been in effect since the early 1990's. As part of budgetary reductions at the State level, the contract with Franklin County was discontinued in July of 2011 – this shorted the county of three months of revenues at the end of the 2010/2011 budget year and left expenditures with no revenue offset in the 2012/2013 budget year. The total budgeted positions remain unchanged at 168.5 down from a high in 2006/2007 of 191 budgeted positions. 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 statement

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 position* 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 position* 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 position, is a measure of the financial health of the County.
- The *statement of activities* presents information showing how the County's net position changed during the 2013 fiscal year. All changes in net position 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 position 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 position 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 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 Position**

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the County, assets exceeded liabilities by \$100 million at September 30, 2013, and \$104 million at September 30, 2012.

<b>Franklin County’s Net Position</b>						
<b>September 30,</b>	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>
Current and other assets	\$ 19,814,218	\$ 20,434,163	\$ 2,132,154	\$ 1,326,257	\$ 21,946,372	\$ 21,760,420
Capital assets, net	<u>94,275,152</u>	<u>92,091,639</u>	<u>2,463,494</u>	<u>2,454,207</u>	<u>96,738,646</u>	<u>94,545,846</u>
Total assets	<u>114,089,370</u>	<u>112,525,802</u>	<u>4,595,648</u>	<u>3,780,464</u>	<u>118,685,018</u>	<u>116,306,266</u>
Current and other liabilities	816,390	1,119,016	1,031,031	569,241	1,847,421	1,688,257
Long-term liabilities	<u>11,606,455</u>	<u>13,518,706</u>	<u>282,043</u>	<u>267,402</u>	<u>11,888,498</u>	<u>13,786,108</u>
Total liabilities	<u>12,422,845</u>	<u>14,637,722</u>	<u>1,313,074</u>	<u>836,643</u>	<u>13,735,919</u>	<u>15,474,365</u>
Deferred Inflows	<u>685,157</u>	<u>403,885</u>	<u>213,863</u>	—	<u>899,020</u>	<u>403,885</u>
Net position:						
Net investment in capital assets	93,353,368	91,249,919	2,388,610	2,144,623	95,741,978	93,394,542
Restricted	5,366,197	7,108,545	—	—	5,366,197	7,108,545
Unrestricted	<u>2,261,803</u>	<u>(874,269)</u>	<u>680,101</u>	<u>799,198</u>	<u>2,941,904</u>	<u>(75,071)</u>
Total net position	<u>\$ 100,981,368</u>	<u>\$ 97,484,195</u>	<u>\$ 3,068,711</u>	<u>\$ 2,943,821</u>	<u>\$ 104,050,079</u>	<u>\$ 100,428,016</u>

**Franklin County's Statement of Activities  
For The Years Ended September 30, 2013 and 2012**

The following schedule summarizes revenues and expenses for the years ended September 30, 2013, and 2012:

<b>Year ended Sept 30,</b>	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>
<b>Program Revenues</b>						
Charges for services	\$ 1,796,667	\$ 1,794,051	\$ 6,208,205	\$ 5,439,469	\$ 8,004,872	\$ 7,233,520
Operating grants and contributions	3,319,745	2,282,087	516,842	418,764	3,836,587	2,700,851
Capital grants and contributions	1,406,160	1,347,285	17,716	—	1,423,876	1,347,285
<b>General Revenues-</b>						
Property taxes	9,168,673	9,615,289	—	—	9,168,673	9,615,289
Other taxes	4,932,852	5,774,939	—	—	4,932,852	5,774,939
Investment earnings	99,286	46,843	2,497	1,949	101,783	48,792
Other	5,072,020	268,070	—	—	5,072,020	268,070
Transfers	<u>(1,785,145)</u>	<u>(1,601,060)</u>	<u>1,785,145</u>	<u>1,601,060</u>	<u>—</u>	<u>—</u>
<b>Total revenues</b>	<b><u>24,010,258</u></b>	<b><u>19,527,504</u></b>	<b><u>8,530,405</u></b>	<b><u>7,461,242</u></b>	<b><u>32,540,663</u></b>	<b><u>26,988,746</u></b>
<b>Expenses</b>						
<b>Program activities</b>						
General government	3,704,695	4,033,432	—	—	3,704,695	4,033,432
Public safety	5,906,184	6,601,654	—	—	5,906,184	6,601,654
Physical environment	1,916,002	1,991,853	—	—	1,916,002	1,991,853
Transportation	4,857,071	4,541,834	—	—	4,857,071	4,541,834
Economic environment	1,647,191	551,128	—	—	1,647,191	551,128
Human services	864,990	907,913	—	—	864,990	907,913
Culture and recreation	1,367,312	2,634,531	—	—	1,367,312	2,634,531
Court related	1,450,977	1,762,332	—	—	1,450,977	1,762,332
Business-type activities	<u>—</u>	<u>—</u>	<u>7,569,976</u>	<u>7,632,867</u>	<u>7,569,976</u>	<u>7,632,867</u>
<b>Total expenses</b>	<b><u>21,714,422</u></b>	<b><u>23,024,677</u></b>	<b><u>7,569,976</u></b>	<b><u>7,632,867</u></b>	<b><u>29,284,398</u></b>	<b><u>30,657,544</u></b>
<b>Increase (decrease)</b>	<b><u>\$ 2,295,836</u></b>	<b><u>\$ (3,497,173)</u></b>	<b><u>\$ 960,429</u></b>	<b><u>\$ (171,625)</u></b>	<b><u>\$ 3,256,265</u></b>	<b><u>\$ (3,668,798)</u></b>

## Financial Analysis of Individual Funds

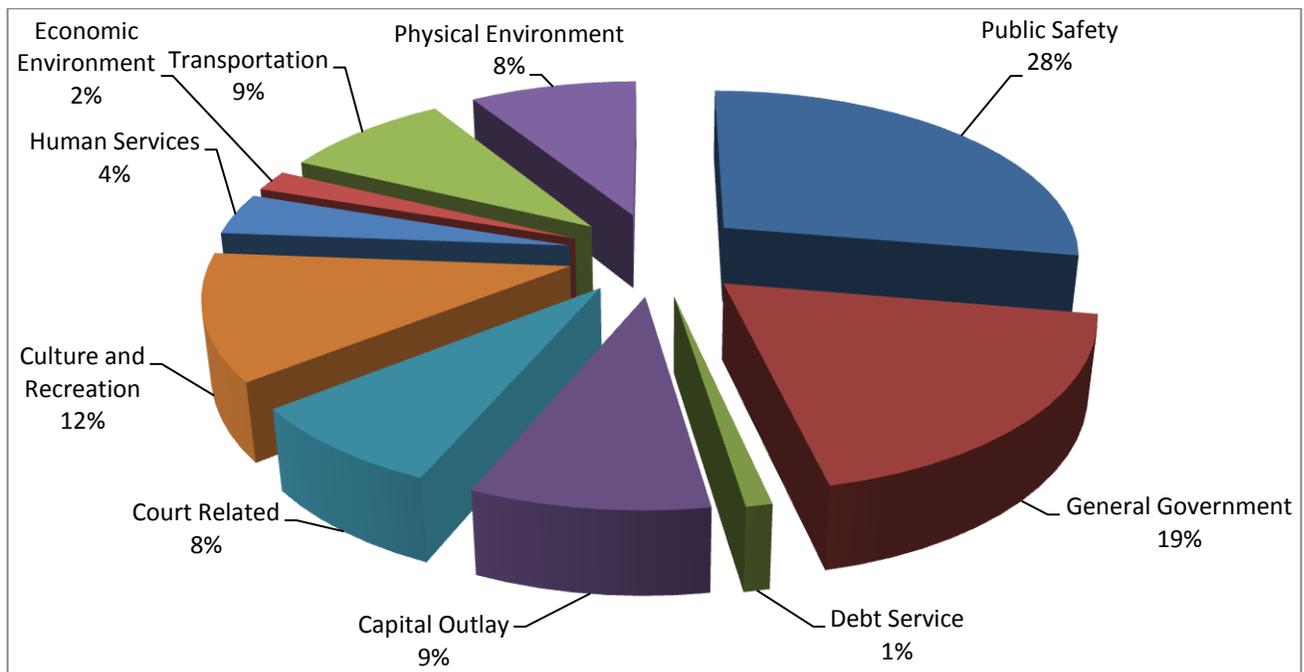
This section provides an analysis of the balances and transactions of individual funds. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### 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, *unassigned fund balance* may serve as a useful measure of a government's net resources, available for spending, at the end of the fiscal year. See note 10 for further details.

As of the end of fiscal year 2013, the county's governmental funds reported combined ending fund balances of \$18,352,664. Of this amount, *unassigned fund balance* is \$6,731,361.

### Total Governmental Funds Expenditures by Functions



## Major Funds

The general fund, local option gas tax, state housing initiative 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 sub funds 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.
- The State housing initiative 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 home, emergency repairs, and construction of new homes throughout Franklin County.
- The CDBG fund accounts for grant revenues related to improving economic conditions in the County.

## Budget Variances in the Major Funds

- Tax revenue of the general fund shows a negative budget variance of \$278,057. 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 economic situation the local real estate market has been in decline resulting in added difficulty in assigning a firm 2013 taxable value to properties.
- The general fund shows a positive budget variance of \$270,582 in the category of intergovernmental revenues. This variance is primarily caused by anticipated grant revenues not being earned in the current year.

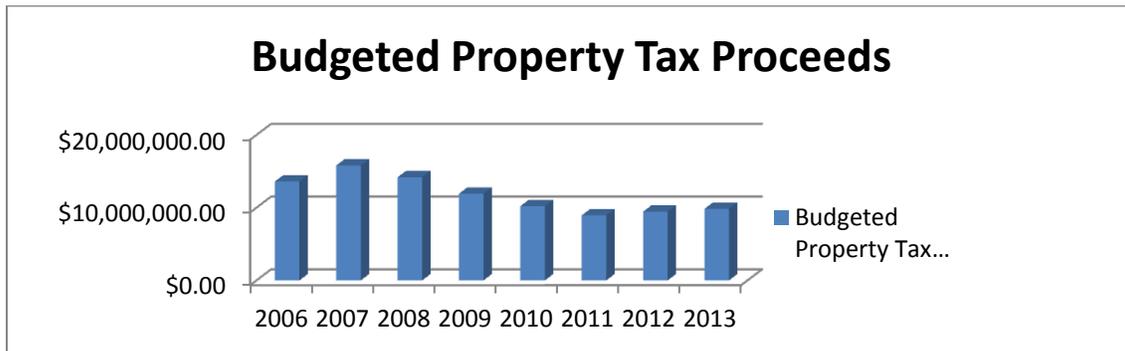
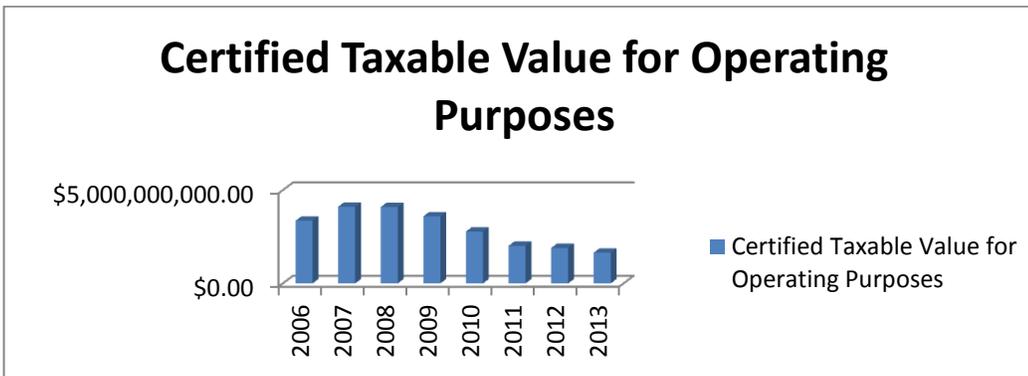
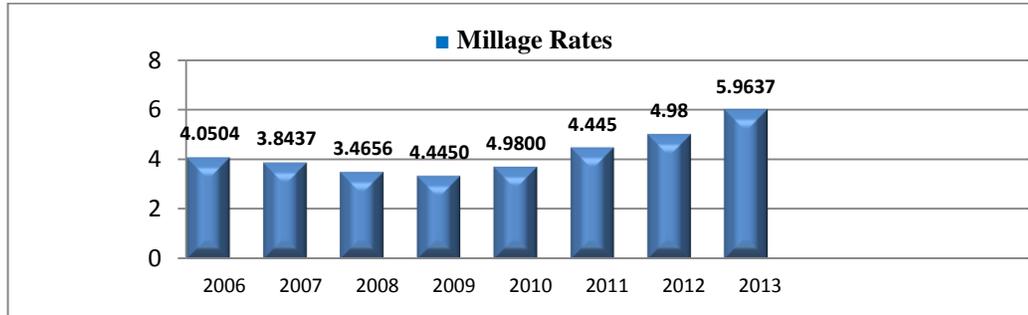
## Capital Assets and Long-Term Debt

Below is a summary 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), large capital asset purchases during the year, and long-term debt status update.

- Boating Improvement Projects: The County received a Florida Boating Improvement Program Grant which provided 67% of the funding needed to design and permit an unloading dock with a 100 foot mooring wall at the Abercrombie Boat Ramp. Design is complete and construction (phase II) will begin once grant funds become available.
- Multi-use Path Projects: The county is working on two multi-use path projects at this time. Construction has begun on phase II of the Carrabelle Beach Multi-use Path. This path will connect the Carrabelle Beach Park to the Carrabelle Lighthouse Park. Design and permitting are underway for the Alligator Drive Multi-use Path on Alligator Point. This path will begin at the intersection of Alligator Drive and Gulf Shore Boulevard and run approximately 4.21 miles to the Marina at the West end of Alligator Point.
- The county purchased a parcel of land across from the Eastpoint Boat Ramp and Pavilion to be used for additional parking. The parcel was purchased for \$40,720 and the county is seeking reimbursement for the purchase through the Florida Communities Trust Program.
- Equipment purchased which increased capital asset value: The County purchased two new mosquito control spray trucks in October of 2012 to combat an exploding mosquito population after an active storm season, retrofitted an existing solid waste truck with a new knuckle boom attachment, and purchased a replacement vehicle for the administrative services department. FEMA reimbursements that were received during the year for labor and equipment usage were earmarked to replace aging equipment in county departments – this allowed the Solid Waste Department to install a new horizontal baler for the recycling program, allowed for a new desperately needed animal control truck, and outfitted the Road Department with a new bat-wing rotary cutter mower, two other large mowers and tractor. The Florida Department of Transportation also provided grant funds to purchase a sweeper truck for use at the Apalachicola/Franklin County Municipal Airport.
- The County issued no new long-term debt during the 2013 fiscal year.

**Significant Economic Factors**  
**Taxable Value of Property and Millage Rates**

The County received approximately \$9.57 million in property taxes based on the certified taxable value of property in Franklin County. This represents an increase from the prior year of \$398,000 and is a result of an increase in millage rates as depicted in the following graphs.



**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 POSITION  
SEPTEMBER 30, 2013**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 14,923,412	\$ 397,574	\$ 15,320,986
Equity in pooled cash	2,454,306	—	2,454,306
Accounts receivable, net	244,309	687,740	932,049
Notes receivable	736,424	—	736,424
Internal balances	(165,117)	165,117	—
Prepaid expenses	15,192	75,826	91,018
Due from other governments	2,225,637	—	2,225,637
Non-Depreciable Capital Assets	4,609,801	13,400	4,623,201
Depreciable Capital Assets, Net	87,481,838	2,440,807	89,922,645
<b>Total Assets</b>	<b><u>112,525,802</u></b>	<b><u>3,780,464</u></b>	<b><u>116,306,266</u></b>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	809,977	208,164	1,018,141
Accrued liabilities	—	185,627	185,627
Due to other governments	126,713	—	126,713
Long-term liabilities			
Customer deposits	4,500	—	4,500
Due within one year			
Accrued compensated absences	133,794	26,155	159,949
Notes and leases payable	44,032	149,295	193,327
Due in more than one year			
Accrued compensated absences	401,381	107,113	508,494
Notes and leases payable	797,688	160,289	957,977
Net OPEB obligation	10,289,709	—	10,289,709
Landfill closure liability	2,029,928	—	2,029,928
<b>Total Liabilities</b>	<b><u>14,637,722</u></b>	<b><u>836,643</u></b>	<b><u>15,474,365</u></b>
<b>DEFERRED INFLOWS</b>			
Grant funds	403,885	—	403,885
<b>Total Deferred Inflows</b>	<b><u>403,885</u></b>	<b><u>—</u></b>	<b><u>403,885</u></b>
<b>NET POSITION</b>			
Net investment in capital assets	91,249,919	2,144,623	93,394,542
Restricted	7,108,545	—	7,108,545
Unrestricted	(874,269)	799,198	(75,071)
<b>Total Net Position</b>	<b><u>\$ 97,484,195</u></b>	<b><u>\$ 2,943,821</u></b>	<b><u>\$ 100,428,016</u></b>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues/</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	
<b>Primary Government</b>							
Governmental activities							
General government	\$ 4,033,432	\$ 353,702	\$ 123,793	\$ —	\$(3,555,937)	\$ —	\$ (3,555,937)
Public safety	6,601,654	416,291	220,956	—	(5,964,407)	—	(5,964,407)
Physical environment	1,991,853	570,221	612,416	1,084,728	275,512	—	275,512
Transportation	4,541,834	106,729	341,042	262,557	(3,831,506)	—	(3,831,506)
Economic environment	551,128	—	485,454	—	(65,674)	—	(65,674)
Human services	907,913	—	167,777	—	(740,136)	—	(740,136)
Culture and recreation	2,634,531	4,247	274,413	—	(2,355,871)	—	(2,355,871)
Court related	<u>1,762,332</u>	<u>342,861</u>	<u>56,236</u>	<u>—</u>	<u>(1,363,235)</u>	<u>—</u>	<u>(1,363,235)</u>
Total Governmental Activities	<u>23,024,677</u>	<u>1,794,051</u>	<u>2,282,087</u>	<u>1,347,285</u>	<u>(17,601,254)</u>	<u>—</u>	<u>(17,601,254)</u>
<b>Business-Type Activities</b>							
Hospital	<u>7,632,867</u>	<u>5,441,418</u>	<u>418,764</u>	<u>1,347,285</u>	<u>—</u>	<u>(1,772,685)</u>	<u>(19,373,939)</u>
<b>Total Primary Government</b>	<b><u>\$30,657,544</u></b>	<b><u>\$ 7,235,469</u></b>	<b><u>\$ 2,700,851</u></b>	<b><u>\$ 1,347,285</u></b>	<b><u>(17,601,254)</u></b>	<b><u>(1,772,685)</u></b>	<b><u>(36,975,193)</u></b>
<b>General Revenues:</b>							
Taxes:							
Property taxes					9,615,289	—	9,615,289
Franchise and utility taxes					54,820	—	54,820
Local Option Sales					229,055	—	229,055
Sales tax and other shared revenues					5,491,064	—	5,491,064
Investment earnings					46,843	—	46,843
Miscellaneous					268,070	—	268,070
Transfers					<u>(1,601,060)</u>	<u>1,601,060</u>	<u>—</u>
Total General Revenues					<u>14,104,081</u>	<u>1,601,060</u>	<u>15,705,141</u>
Changes in Net Position					(3,497,173)	(171,625)	(3,668,798)
Net Position – Beginning of Year					100,981,368	3,068,711	104,050,079
Prior period adjustment (note 16)					—	46,735	46,735
<b>Net Position – End of Year</b>					<b><u>\$ 97,484,195</u></b>	<b><u>\$ 2,943,821</u></b>	<b><u>\$ 100,428,016</u></b>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA  
BALANCE SHEET  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>General</u>	<u>Economic Development CDBG</u>	<u>State Housing Initiatives Partnership</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash & cash equivalent	\$ 9,915,784	\$ 12,769	\$ 318,317	\$ 4,676,542	\$ 14,923,412
Equity in pooled cash	448,650	267,636	33,436	1,704,584	2,454,306
Due from other funds	197,577	—	—	55,783	253,360
Due from other governmental units	1,300,566	—	—	925,071	2,225,637
Accounts receivable, net	178,231	—	—	66,078	244,309
Notes receivable	—	327,900	408,524	—	736,424
Prepaid expenses	<u>2,475</u>	<u>—</u>	<u>—</u>	<u>12,717</u>	<u>15,192</u>
Total Assets	<u>\$ 12,043,283</u>	<u>\$ 608,305</u>	<u>\$ 760,277</u>	<u>\$ 7,440,775</u>	<u>\$ 20,852,640</u>
<b>Liabilities Deferred Inflows &amp; Fund Balances</b>					
<b>Liabilities</b>					
Customer deposits	\$ —	\$ —	\$ —	\$ 4,500	\$ 4,500
Vouchers payable	539,034	—	—	270,943	809,977
Due to other governmental units	19,740	—	—	106,973	126,713
Due to other funds	<u>166,527</u>	<u>—</u>	<u>—</u>	<u>251,950</u>	<u>418,477</u>
Total Liabilities	<u>725,301</u>	<u>—</u>	<u>—</u>	<u>634,366</u>	<u>1,359,667</u>
<b>Deferred Inflows</b>					
Notes receivable	—	327,900	408,524	—	736,424
Grant funds	<u>57,187</u>	<u>—</u>	<u>311,071</u>	<u>35,627</u>	<u>403,885</u>
Total Deferred Inflows	<u>57,187</u>	<u>327,900</u>	<u>719,595</u>	<u>35,627</u>	<u>1,140,309</u>
<b>Fund Balances</b>					
Nonspendable	2,475	—	—	12,717	15,192
Restricted	1,322,786	—	40,682	5,745,077	7,108,545
Assigned	3,204,173	280,405	—	1,012,988	4,497,566
Unassigned	<u>6,731,361</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,731,361</u>
Total fund Balances	<u>11,260,795</u>	<u>280,405</u>	<u>40,682</u>	<u>6,770,782</u>	<u>18,352,664</u>
<b>Total Liabilities Deferred Inflows &amp; Fund Balances</b>	<u>\$ 12,043,283</u>	<u>\$ 608,305</u>	<u>\$ 760,277</u>	<u>\$ 7,440,775</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds 92,091,639

Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the fund. (13,696,532)

Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds. 736,424

Net position of governmental activities **\$ 97,484,195**

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>General</u>	<u>Economic Development CDBG</u>	<u>State Housing Initiatives Partnership</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Taxes	\$ 9,615,289	\$ —	\$ —	\$ 2,851,939	\$ 12,467,228
Licenses and permits	133,193	—	—	373,722	506,915
Intergovernmental	3,394,957	—	147,778	2,680,008	6,222,743
Fines and forfeitures	11,166	—	—	64,681	75,847
Charges for services	350,396	—	—	767,425	1,117,821
Investment earnings and other	<u>270,117</u>	<u>603</u>	<u>16,430</u>	<u>52,606</u>	<u>339,756</u>
Total Revenues	<u>13,775,118</u>	<u>603</u>	<u>164,208</u>	<u>6,790,381</u>	<u>20,730,310</u>
<b>Expenditures</b>					
Current					
General government	3,528,574	—	—	26,493	3,555,067
Public safety	4,895,004	—	—	521,280	5,416,284
Physical environment	1,092,774	—	—	443,309	1,536,083
Transportation	12,325	—	—	1,617,222	1,629,547
Economic environment	74,240	—	154,226	215,000	443,466
Human services	562,889	—	—	161,683	724,572
Culture and recreation	1,906,668	—	—	423,764	2,330,432
Court related	892,419	—	—	571,974	1,464,393
Capital outlay	1,129,349	—	—	603,285	1,732,634
Debt service	<u>—</u>	<u>—</u>	<u>—</u>	<u>116,252</u>	<u>116,252</u>
Total Expenditures	<u>14,094,242</u>	<u>—</u>	<u>154,226</u>	<u>4,700,262</u>	<u>18,948,730</u>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<u>(319,124)</u>	<u>603</u>	<u>9,982</u>	<u>2,090,119</u>	<u>1,781,580</u>
<b>Other financing sources (uses)</b>					
Transfers in	212,412	—	—	309,506	521,918
Transfers out	<u>(814,742)</u>	<u>—</u>	<u>—</u>	<u>(1,308,236)</u>	<u>(2,122,978)</u>
Total other financing sources (uses)	<u>(602,330)</u>	<u>—</u>	<u>—</u>	<u>(998,730)</u>	<u>(1,601,060)</u>
Net change in fund balances	(921,454)	603	9,982	1,091,389	180,520
Fund balances-beginning	<u>12,182,249</u>	<u>279,802</u>	<u>30,700</u>	<u>5,679,393</u>	<u>18,172,144</u>
<b>Fund balances-ending</b>	<u><b>\$11,260,795</b></u>	<u><b>\$ 280,405</b></u>	<u><b>\$ 40,682</b></u>	<u><b>\$ 6,770,782</b></u>	<u><b>\$ 18,352,664</b></u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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

Net change in fund balances – total governmental funds (page 16)	\$ 180,520
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of activities.	1,732,634
Depreciation expense on governmental capital assets included in the governmental activities in the statement of activities.	(3,916,147)
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 position.	80,064
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.	<u>(1,574,244)</u>
Change in net position of governmental activities	<b><u>\$ (3,497,173)</u></b>

See accompanying notes to the basic financial statements

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – BUDGET (GAAP BASIS) AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budget Original</u>	<u>Budget Final</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>				
Taxes	\$ 9,893,346	\$9,893,346	\$ 9,615,289	\$ (278,057)
Licenses and permits	111,500	111,500	133,193	21,693
Intergovernmental	2,116,646	3,124,375	3,394,957	270,582
Fines and forfeitures	10,000	10,000	11,166	1,166
Charges for services	347,334	347,334	350,396	3,062
Miscellaneous revenues	<u>157,904</u>	<u>195,560</u>	<u>270,117</u>	<u>74,557</u>
<b>Total Revenues</b>	<b><u>12,636,730</u></b>	<b><u>13,682,115</u></b>	<b><u>13,775,118</u></b>	<b><u>93,003</u></b>
<b>EXPENDITURES</b>				
Current				
General government	4,028,359	3,999,040	3,528,574	470,466
Public safety	5,076,815	5,000,045	4,895,004	105,041
Physical environment	1,180,495	1,180,495	1,092,774	87,721
Transportation	35,000	35,000	12,325	22,675
Economic environment	74,575	74,575	74,240	335
Human services	578,498	578,498	562,889	15,609
Culture and recreation	2,445,277	2,835,210	1,906,668	928,542
Court related	1,289,150	1,289,150	892,419	396,731
Capital outlay	<u>1,196,291</u>	<u>1,833,579</u>	<u>1,129,349</u>	<u>704,230</u>
<b>Total Expenditures</b>	<b><u>15,904,460</u></b>	<b><u>16,825,592</u></b>	<b><u>14,094,242</u></b>	<b><u>2,731,350</u></b>
<b>Excess (deficit) of revenues over (under) expenditures</b>	(3,267,730)	(3,143,477)	(319,124)	2,824,353
<b>Other financing sources (uses)</b>				
Transfers in	81,000	81,000	212,412	131,412
Transfers out	<u>(750,667)</u>	<u>(827,437)</u>	<u>(814,742)</u>	<u>12,695</u>
<b>Total other financing sources (uses)</b>	<b><u>(669,667)</u></b>	<b><u>(746,437)</u></b>	<b><u>(602,330)</u></b>	<b><u>144,107</u></b>
Net change in Fund Balance	(3,937,397)	(3,889,914)	(921,454)	2,968,460
Fund balance - beginning	<u>12,182,249</u>	<u>12,182,249</u>	<u>12,182,249</u>	<u>—</u>
<b>Fund balance - ending</b>	<b><u>\$8,244,852</u></b>	<b><u>\$ 8,292,335</u></b>	<b><u>\$ 11,260,795</u></b>	<b><u>\$ 2,968,460</u></b>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL  
ECONOMIC DEVELOPMENT - CDBG  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budget Original</u>	<u>Budget Final</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>				
Miscellaneous revenues	\$ 1,041	\$ 1,041	\$ 603	\$ (438)
<b>Total Revenues</b>	<u>1,041</u>	<u>1,041</u>	<u>603</u>	<u>(438)</u>
<b>EXPENDITURES</b>				
Current				
Transportation	—	—	—	—
Capital outlay	—	—	—	—
<b>Total Expenditures</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Excess (deficit) of revenues over (under) expenditures</b>	1,041	1,041	603	(438)
<b>Other financing sources (uses)</b>				
Transfers out	—	—	—	—
<b>Total other financing sources (uses)</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net changes in fund balance	1,041	1,041	603	(438)
Fund balance – beginning of year	<u>279,802</u>	<u>279,802</u>	<u>279,802</u>	<u>—</u>
<b>Fund balance – End of year</b>	<u>\$ 280,843</u>	<u>\$ 280,843</u>	<u>\$ 280,405</u>	<u>\$ (438)</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL  
STATE HOUSING INITIATIVE PARTNERSHIP FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budget Original</u>	<u>Budget Final</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>				
Intergovernmental	\$ 75,000	\$ 425,000	\$ 147,778	\$ (277,222)
Miscellaneous revenues	<u>20,125</u>	<u>20,125</u>	<u>16,430</u>	<u>(3,695)</u>
<b>Total Revenues</b>	<b><u>95,125</u></b>	<b><u>445,125</u></b>	<b><u>164,208</u></b>	<b><u>(280,917)</u></b>
<b>EXPENDITURES</b>				
Current				
Economic environment	<u>132,369</u>	<u>482,369</u>	<u>154,226</u>	<u>328,143</u>
<b>Total Expenditures</b>	<b><u>132,369</u></b>	<b><u>482,369</u></b>	<b><u>154,226</u></b>	<b><u>328,143</u></b>
<b>Excess (deficit) of revenues over (under) expenditures</b>	(37,244)	(37,244)	9,982	47,226
Fund balance – beginning of year	<u>30,700</u>	<u>30,700</u>	<u>30,700</u>	<u>—</u>
<b>Fund balance – End of year</b>	<b><u>\$ (6,544)</u></b>	<b><u>\$ (6,544)</u></b>	<b><u>\$ 40,682</u></b>	<b><u>\$ 47,266</u></b>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

<u>Business-type Activities – Enterprise Fund</u>	
	<u>Hospital</u>
<b>ASSETS</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 397,574
Accounts receivable, net	687,740
Due from other funds	165,117
Prepaid expenses	<u>75,826</u>
<b>Total current assets</b>	<b><u>1,326,257</u></b>
<b>Noncurrent assets</b>	
Capital Assets	
Land	13,400
Buildings	1,594,815
Machinery and equipment	1,858,367
Construction in progress	342,094
Less allowance for depreciation	<u>(1,354,469)</u>
<b>Capital assets (net of accumulated depreciation)</b>	<b><u>2,454,207</u></b>
<b>Total assets</b>	<b><u>3,780,464</u></b>
<b>Liabilities</b>	
<b>Current liabilities</b>	
Accounts payable	208,164
Accrued liabilities	185,627
Compensated absences - current	26,155
Leases payable - current	63,581
Notes payable - current	<u>85,714</u>
<b>Total current liabilities</b>	<b><u>569,241</u></b>
<b>Noncurrent liabilities</b>	
Compensated absences	107,113
Leases payable	85,288
Notes payable	<u>75,001</u>
<b>Total current liabilities</b>	<b><u>267,402</u></b>
<b>Total Liabilities</b>	<b><u>836,643</u></b>
<b>Net position</b>	
Net investment in capital assets	2,144,623
Unrestricted	<u>799,198</u>
<b>Total net position</b>	<b><u>\$ 2,943,821</u></b>

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See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

<u>Business-type Activities – Enterprise Fund</u>	
	<u>Hospital</u>
<b>Operating revenues</b>	
Net patient service revenue	\$ 5,198,022
Other	<u>241,447</u>
Total revenues	<u>5,439,469</u>
<b>Operating expenses</b>	
Employee leasing	3,836,846
Advertising	65,585
Licenses and permits	30,044
Professional services	833,087
Training and development	11,492
Insurance	441,976
Other contract services	609,115
Other patient care related costs	163,060
Repairs and maintenance	68,515
Minor equipment	40,664
Supplies	88,514
Clinical supplies	575,510
Travel	31,789
Utilities	183,165
Other current charges	330,763
Depreciation	<u>307,806</u>
<b>Total operating expenses</b>	<b><u>7,617,931</u></b>
Operating income (loss)	<u>(2,178,462)</u>
<b>Nonoperating revenues (expenses)</b>	
Transfers in	1,601,060
Interest income	1,949
Operating contributions and grants	418,764
Interest expense	<u>(14,936)</u>
<b>Total nonoperating revenues (expenses)</b>	<b><u>2,006,837</u></b>
<b>Change in net position</b>	(171,625)
<b>Net position – beginning</b>	3,068,711
<b>Prior period adjustment – note 16</b>	<u>46,735</u>
<b>Net position – ending</b>	<b><u>\$ 2,943,821</u></b>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

<u>Business-type Activities – Enterprise Fund</u>	
	<u>Hospital</u>
<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 5,968,682
Payments to suppliers and others	(3,912,332)
Payments to employees	<u>(3,801,837)</u>
<b>Net cash used in operating activities</b>	<b><u>(1,745,487)</u></b>
<b>Cash flows from noncapital financing activities</b>	
Contributions and grants	418,764
Transfers in .....	<u>1,601,060</u>
<b>Net cash provided by noncapital Financing activities</b>	<b><u>2,019,824</u></b>
<b>Cash flows from capital and related financing activities</b>	
Acquisition of capital assets	(298,519)
Repayment of principal on long-term debt	(148,347)
Interest paid on long-term debt	<u>(15,539)</u>
<b>Net cash used in capital and related financing activities</b>	<b><u>(462,405)</u></b>
<b>Cash flows from investing activities</b>	
Interest received	<u>1,949</u>
<b>Net cash provided by investing activities</b>	<b><u>1,949</u></b>
<b>Increase in cash and cash equivalents</b>	<u>(186,119)</u>
<b>Cash and cash equivalents – beginning</b>	<u>583,693</u>
<b>Cash and cash equivalents – ending</b>	<b><u>\$ 397,574</u></b>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS (continued)**

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

<u>Business-type Activities – Enterprise Fund</u>	
	<u>Hospital</u>
<b>Reconciliation of operating income            (loss) to net cash provided            by operating activities</b>	
Operating income (loss)	\$(2,178,462)
Depreciation expense	307,806
(Increase) decrease in assets	
Accounts receivables, net	529,213
Due from other funds	58,880
Prepaid expenses	6,685
Deposits	25,000
(Increase (decrease) in	
Compensated absences	35,009
Accounts payable	(29,710)
Accrued liabilities	(286,045)
Deferred revenue	<u>(213,863)</u>
<b>Total Adjustments</b>	<u>432,975</u>
<b>Net cash used in operating activities</b>	<b><u>\$(1,745,487)</u></b>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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<b>Agency Funds</b>	
<b>Assets</b>	
Cash and cash equivalents	\$ <u>812,148</u>
<b>Total Assets</b>	<b>\$ <u>812,148</u></b>
<b>Liabilities</b>	
Due to individuals	\$ 449,511
Due to other funds	42,643
Due to other governments	<u>319,994</u>
<b>Total Liabilities</b>	<b>\$ <u>812,148</u></b>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**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 principle (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 outline 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.

The County was established by the Constitution of the State of Florida, Article VIII, and Section 1E

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

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

**FRANKLIN COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

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

**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 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.

**FRANKLIN COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

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

**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 the 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 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 position.

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.

**FRANKLIN COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

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

**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.
- Economic Development CDBG – This fund is used to account for the Community Development Block Grant earmarked for economic development.
- State housing initiatives partnership – This fund is used to account for the activity in the County’s state housing initiatives partnership program (SHIP).

**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 position.

**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.

**FRANKLIN COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

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

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 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 Assets**

Certain assets of the various funds are required by resolutions or ordinances to be set aside and used for specific purposes; thus, they are not available to be used for general operations. When both restricted and unrestricted resources are available for use, it is the government’s policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

**FRANKLIN COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

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

**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.

**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 position.

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 Inflows**

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

**FRANKLIN COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**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.

**Fund Balances**

The County has implements GASB Statement 54 employing new terminology and classifications for fund balance.

Nonspendable – This category includes the resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted – This category includes resources restricted by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation.

Committed – This category includes resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision- making authority which is the County Commissioners. Commitments may be altered or removed only by formal action of the County Commissioners.

Assigned – This category includes resources that are intended to be used for specific purposes, but is neither restricted nor committed. These are resources that have been set aside for a specific purpose by an authorized government body or official.

Unassigned – This category is the residual classification for the County's fund balances.

**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, 2013 was 5.9637 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.

**FRANKLIN COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

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

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.

**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 evaluated subsequent events through June 25, 2014, the date which the financial statements were available to be issued. The County did not have any subsequent events requiring disclosure or recording in these financial statements.

**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 position:

The governmental fund balance sheet includes reconciliation between *fund balances – total governmental funds* and *net position of governmental activities* as reported in the government-wide statement of net position. 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:

**FRANKLIN COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

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

Capital leases payable	\$ 841,720
Compensated absences	535,175
Net OPEB obligation	10,289,709
Landfill closing costs	<u>2,029,928</u>
Net adjustment to reduce fund balances – total governmental funds to arrive at net position of governmental activities	<u>\$ 13,696,532</u>

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	\$ 148,079,292
Less: accumulated depreciation	<u>(55,987,653)</u>
Net adjustment to increase fund balances – total governmental funds to arrive at net position of governmental activities	<u>\$ 92,091,639</u>

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	\$ <u>736,424</u>
Net adjustment to increase fund balances – total governmental funds to arrive at net position of governmental activities	<u>\$ 736,424</u>

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	\$ (66,403)
Change in deferred revenue	408,524
Change in OPEB liability	(1,725,896)
Landfill costs	<u>(190,469)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position of governmental activities	<u>\$ (1,574,244)</u>

**FRANKLIN COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**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.

**Investment 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.

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, 2013.

**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, 2013, the County did not hold any investments other than those disclosed below that were considered to be an interest rate risk.

**FRANKLIN COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

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

**Custodial Risks**

At September 30, 2013, the County held deposits or investments that were considered to be a custodial risk. See below.

**Concentration of Credit Risk**

At September 30, 2013, the County did not hold any investments that were considered to be a concentration of credit risk.

At September 30, 2013, the County’s cash and investments consisted of the following:

	<b>Credit Rating</b>	<b>Current</b>	<b>0 - 5 Years</b>	<b>5 – 10 Years</b>	<b>Total Carrying Amount</b>
Cash including money market fund	(1)	\$15,320,986	\$ —	\$ —	\$15,320,986
Local Government Surplus Trust Fund Pool		<u>2,454,306</u>	<u>—</u>	<u>—</u>	<u>2,454,306</u>
<b>Total</b>		<b><u>\$17,775,292</u></b>	<b><u>\$ —</u></b>	<b><u>\$ —</u></b>	<b><u>\$17,775,292</u></b>

(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 (\$2,328,041) is considered a SEC 2a7-like fund and the account balance is the fair value of the investment.

The Fund B portion (\$126,265) is accounted for as a fluctuating NAV pool.

Credit quality disclosure – Florida PRIME is rated by Standard and Poor’s. 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, 2013 was 44 days. The weighted average life of Fund B at September 30, 2013 was 4.04 years. However because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life.

**FRANKLIN COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 4 –ACCOUNTS RECEIVABLE AND NOTES RECEIVABLE**

Accounts receivables at September 30, 2013, consisted of the following:

<b>Governmental Activities - Accounts/Notes Receivable</b>	<b>General</b>	<b>State Housing Initiative Partnership</b>	<b>CDBG</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Accounts receivable	\$ 178,231	\$ —	\$ —	\$ 66,078	\$ 244,309
Notes receivable	—	408,524	327,900	—	736,424
(Allowance for doubtful accounts)	—	—	—	—	—
<b>Accounts receivable, net</b>	<b><u>\$ 178,231</u></b>	<b><u>\$ 408,524</u></b>	<b><u>\$ 327,900</u></b>	<b><u>\$ 66,078</u></b>	<b><u>\$ 980,733</u></b>
<b>Business-type Activities - Accounts Receivable</b>	<b><u>Hospital</u></b>				
Accounts receivable	\$ 2,994,452				
(Allowance for doubtful accounts)	(2,306,712)				
<b>Accounts receivable, net</b>	<b><u>\$ 687,740</u></b>				

**NOTE 5 –INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS**

All interfund balance are due to timing differences and are expected to be repaid during the fiscal year ending September 30, 2013.

Internal balances at September 30, 2013, consist of the following:

<b>Fund</b>	<b>Interfund Receivables</b>	<b>Interfund Payables</b>
General	\$ 197,577	\$ 166,527
Special revenue		
County road and bridge	16,043	3,484
Fire protection	—	33,084
911 Trust	—	39,711
Landfill	526	—
Mosquito control	3,343	1,893
Law enforcement educational trust	251	—
Hospital trust	—	165,117
Boating improvement	1,286	—
Airport	—	5,843
Clerk's fine and forfeitures	23,380	2,818
Clerk's modernization trust	10,954	—
Total special revenue	<u>55,783</u>	<u>251,950</u>
Enterprise - Hospital	165,117	—
<b>Total</b>	<b><u>\$ 418,477</u></b>	<b><u>\$ 418,477</u></b>

**FRANKLIN COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 5 –INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS (continued)**

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.

<u>Fund Transferred From</u>	<u>Fund Transferred to</u>	<u>Amount</u>	<u>Purpose</u>
General	Nonmajor governmental funds	\$ 309,506	Purchase of equipment, and other allowable expenditures
Nonmajor governmental funds	General	212,412	To record the budgeted transfers from the landfill fund and tourist development
Hospital trust	Hospital	1,095,824	Transfer of ½ cent sales tax
General	Hospital	505,236	Transfer of operation of ambulance service
<b>Total</b>		<b><u>\$ 2,122,978</u></b>	

**NOTE 6 –CAPITAL ASSETS**

Capital asset activity for the governmental activities for the year ended September 30, 2013, is as follows:

	<u>September 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2013</u>
Capital assets not being depreciated:				
Land	\$ 3,896,063	\$ 667,720	\$ —	\$ 4,563,783
Construction in progress	212,476	46,018	(212,476)	46,018
Total capital assets, not being depreciated	<u>4,108,539</u>	<u>713,738</u>	<u>(212,476)</u>	<u>4,609,801</u>
Capital assets being depreciated:				
Buildings	12,538,486	24,438	—	12,562,924
Improvements other than buildings	10,925,790	448,389	—	11,374,179
Machinery and equipment	13,791,794	536,879	(99,978)	14,228,695
Infrastructure	105,082,027	221,666	—	105,303,693
Total capital assets being depreciated	<u>142,338,097</u>	<u>1,231,372</u>	<u>(99,978)</u>	<u>143,469,491</u>
Accumulated depreciation:				
Buildings	4,356,647	254,265	—	4,610,912
Improvements other than buildings	2,702,623	279,375	—	2,981,998
Machinery and equipment	11,925,086	845,544	(99,978)	12,670,652
Infrastructure	33,187,128	2,536,963	—	35,724,091
Total accumulated depreciation	<u>52,171,484</u>	<u>3,916,147</u>	<u>(99,978)</u>	<u>55,987,653</u>
Total capital assets being depreciated, net	<u>90,166,613</u>	<u>(2,684,775)</u>	<u>—</u>	<u>87,481,838</u>
<b>Total governmental-type activities', capital assets, (net of accumulated depreciation)</b>	<b><u>\$ 94,275,152</u></b>	<b><u>\$ (1,971,037)</u></b>	<b><u>\$ (212,476)</u></b>	<b><u>\$ 92,091,639</u></b>

**FRANKLIN COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 6 –CAPITAL ASSETS (continued)**

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

General Government	\$ 197,447
Court related	37,939
Public safety	433,071
Physical environment	160,301
Transportation	2,807,287
Economic environment	2,662
Human services	78,341
Culture and recreation	<u>199,099</u>

**Total depreciation expense – governmental activities** **\$ 3,916,147**

Capital asset activity for the business-type activities for the year ended September 30, 2013, is as follows:

	<u>September 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2013</u>
Capital assets not being depreciated:				
Land	\$ 13,400	\$ —	\$ —	\$ 13,400
Construction in progress	<u>334,494</u>	<u>7,600</u>	<u>—</u>	<u>342,094</u>
Total capital assets, not being depreciated	<u>347,894</u>	<u>7,600</u>	<u>—</u>	<u>355,494</u>
Capital assets being depreciated:				
Buildings	1,594,815	—	—	1,594,815
Equipment and furniture	<u>1,567,448</u>	<u>290,919</u>	<u>—</u>	<u>1,858,367</u>
Total capital assets being depreciated	<u>3,162,263</u>	<u>290,919</u>	<u>—</u>	<u>3,453,182</u>
Less accumulated depreciation	<u>1,046,663</u>	<u>307,806</u>	<u>—</u>	<u>1,354,469</u>
Total capital assets being depreciated, net	<u>2,115,600</u>	<u>(16,887)</u>	<u>—</u>	<u>2,098,713</u>
<b>Total business-type activities', capital assets, (net of accumulated depreciation)</b>	<u><b>\$ 2,463,494</b></u>	<u><b>\$ (9,287)</b></u>	<u><b>\$ —</b></u>	<u><b>\$ 2,454,207</b></u>

Depreciation expense charged to business-type activities for the year ended September 30, 2013 is \$307,806.

**FRANKLIN COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 7 –LONG-TERM DEBT**

Long-term debt of the County’s governmental activities for the year ended September 30, 2013, is as follows:

<b><u>Notes Payable</u></b>	<b><u>Balance September 30, 2012</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b><u>Balance September 30, 2013</u></b>	<b><u>Due Within One Year</u></b>
Loan to purchase Lombardi property, payable in monthly payments of \$6,333 including interest at 3.89% maturing April 2028	883,626	—	41,906	841,720	44,032
Lease purchase of equipment, payable in annual payments of \$30,304 including interest at 3.5% maturing in October 2013	38,158	—	38,158	—	—
Long-term landfill closure and postclosure liability, see note 12	1,839,459	190,469	—	2,029,928	—
Liability for postemployment benefits	8,563,813	1,725,896	—	10,289,709	—
Liability for compensated absences	<u>468,772</u>	<u>66,403</u>	<u>—</u>	<u>535,175</u>	<u>133,794</u>
<b>Total</b>	<b><u>\$11,793,828</u></b>	<b><u>\$ 1,982,768</u></b>	<b><u>\$ 80,064</u></b>	<b><u>\$13,696,532</u></b>	<b><u>\$ 177,826</u></b>

**Maturities of Long-Term Debt**

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

<b><u>Amount due during Year ending September 30,</u></b>	<b><u>Note Payable/ Lombardi Property</u></b>		
	<b><u>Principle</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2014	\$ 43,564	\$ 32,436	\$ 76,000
2015	45,315	30,685	76,000
2016	47,136	28,864	76,000
2017	49,052	26,948	76,000
2018	51,433	24,567	76,000
2019-2023	289,379	90,621	380,000
2024-2028	<u>315,841</u>	<u>28,887</u>	<u>344,728</u>
<b>Total</b>	<b><u>\$ 841,720</u></b>	<b><u>\$ 263,008</u></b>	<b><u>\$ 1,104,728</u></b>

**FRANKLIN COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 7 –LONG-TERM DEBT**

Noncurrent liabilities of the Hospital for the year ended September 30, 2013, were as follows:

	<u>Balance September 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2013</u>	<u>Due Within One Year</u>
Office of Tourism, Trade, and Economic Development – Loan #1 payable in quarterly payments of \$10,714 plus interest at 3%. Matures August 2015.	\$ 117,857	\$ —	\$ (42,857)	\$ 75,000	\$ 42,858
Office of Tourism, Trade, and Economic Development – Loan #2 payable in quarterly payments of \$10,714 plus interest at 3%. Matures in May 2015.	128,572	—	(42,857)	85,715	42,857
Olympus – Colonoscope lease payable in monthly payments of \$2,067 including interest at 14%. Matures in August 2014	43,046	—	(20,258)	22,788	22,788
Med One Capital Funding, LLC Pharmacy dispenser lease payable in monthly payments of \$2,316 including interest at 0%.	—	136,618	(30,102)	106,516	27,787
Ricoh – copier lease payable In monthly payments of \$1,334 Including interest at 5%. Matures October 2014.	21,521	—	(10,051)	11,470	10,565
Dell Computer Leasing – payable \$271 monthly including interest at 9.5%. Matures March 2017.	10,317	—	(2,222)	8,095	2,441
Liability for compensated absences	<u>98,259</u>	<u>35,009</u>	<u>—</u>	<u>133,268</u>	<u>25,321</u>
<b>Total</b>	<u>\$ 419,572</u>	<u>\$ 171,627</u>	<u>\$ (148,347)</u>	<u>\$ 442,852</u>	<u>\$ 174,617</u>

**FRANKLIN COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 7 –LONG-TERM DEBT (continued)**

**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 #			OTTED Loan #2		
	Principle	Interest	Total	Interest	Principle	Total
2014	\$ 42,858	\$ 1,768	\$ 44,626	\$ 42,856	\$ 2,090	\$ 44,946
2015	<u>32,142</u>	<u>512</u>	<u>32,654</u>	<u>42,859</u>	<u>833</u>	<u>43,692</u>
<b>Total</b>	<b><u>\$ 75,000</u></b>	<b><u>\$ 2,280</u></b>	<b><u>\$ 77,280</u></b>	<b><u>\$ 85,715</u></b>	<b><u>\$ 2,923</u></b>	<b><u>\$ 88,638</u></b>

**Amount due during**

Year ending September 30,	Computers			Pharmacy Dispenser		
	Principle	Interest	Total	Principle	Interest	Total
2014	\$ 2,441	\$ 813	\$ 3,254	\$ 27,787	\$ —	\$ 27,787
2015	<u>2,683</u>	<u>571</u>	<u>3,254</u>	<u>27,787</u>	<u>—</u>	<u>27,787</u>
2016	<u>2,950</u>	<u>304</u>	<u>3,254</u>	<u>27,787</u>	<u>—</u>	<u>27,787</u>
2017	<u>21</u>	<u>2</u>	<u>23</u>	<u>23,155</u>	<u>—</u>	<u>23,155</u>
<b>Total</b>	<b><u>\$ 8,095</u></b>	<b><u>\$ 1,690</u></b>	<b><u>\$ 9,785</u></b>	<b><u>\$ 106,516</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 106,516</u></b>

**Amount due during**

Year ending September 30,	Copier			Colonoscope		
	Principle	Interest	Total	Principle	Interest	Total
2014	\$ 10,565	\$ 334	\$ 10,899	\$ 22,788	\$ 1,546	\$ 24,334
2015	<u>905</u>	<u>3</u>	<u>908</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total</b>	<b><u>\$ 11,470</u></b>	<b><u>\$ 337</u></b>	<b><u>\$ 11,807</u></b>	<b><u>\$ 22,788</u></b>	<b><u>\$ 1,546</u></b>	<b><u>\$ 24,334</u></b>

The carrying value of equipment under capital leases net of accumulated depreciation at September 30, 2013 is \$169,634

**NOTE 8 – EMPLOYEE BENEFITS**

**RETIREMENT PLAN**

**Plan Description**

The County participates in the Florida Retirement System (FRS) administered by the State of Florida Department of Administration, Division of Retirement. Employees elect participation in either the defined benefit plan (“Pension Plan”), a multiple-employer cost-sharing defined benefit retirement plan, or the defined contribution plan (“Investment Plan”) under the FRS. The FRS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries of participating public employees. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. FRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State of Florida Division of Retirement, 1317 Winewood Boulevard, Building 8, Tallahassee, Florida 32399-1560 or calling 850-414-6347.

**FRANKLIN COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 8 – EMPLOYEE BENEFITS (continued)**

Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. Prior to July 1, 2011, FRS provides vesting of benefits after six years of creditable service. Members are eligible for normal retirement after six years of service and attaining age 62, or 30 years of service regardless of age. Early retirement may be taken any time after completing six years of service; however, there is a 5% benefit reduction for each year prior to normal retirement. Effective July 1, 2011, FRS provides vesting of benefits after eight years of creditable service. Members are eligible for normal retirement after eight years of service and attaining the age of 65, or 33 years of service regardless of age. Early retirement may be taken any time after eight years of service; however, there is a 5% benefit reduction for each year prior to normal retirement.

For those employees who elect participation in the Investment Plan rather than the Pension Plan, vesting occurs after one year of service. These participants receive a contribution for self-direction in an investment product with a third party administrator selected by the State Board of Administration.

Generally, membership in FRS is compulsory for all full-time and part-time employees. Starting on July 1, 2011, employee contributions of 3% are required for all participants.

**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.

The rates as a percentage of gross earnings are as follows:

	<b><u>10/1/2012 through 06/30/2013</u></b>	<b><u>07/1/2013 through 09/30/2013</u></b>
Regular employees	5.18%	6.95%
Senior Management	6.30%	18.31%
Elected County Officials	10.23%	33.03%
DROP Plan Participants	5.44%	12.84%
Special risk employees	14.9%	19.06%

**FRANKLIN COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 8 – EMPLOYEE BENEFITS (continued)**

Contribution rates equal actuarial determined rates. During the year ended September 30, 2013, total payroll for all employees and the retirement contributions for all employees covered by FRS were as follows:

	<u>Payroll Expense</u>	<u>Retirement Contributions</u>
Board of County Commissioners	\$ 1,888,393	\$ 130,714
Clerk of the Circuit Court	687,303	48,471
Sheriff	2,785,399	355,731
Property Appraiser	367,988	32,219
Tax Collector	291,997	36,627
Supervisor of Elections	<u>141,786</u>	<u>17,143</u>
Total	<u>\$ 6,162,866</u>	<u>\$ 620,905</u>

The County’s contributions to the Plan for the years ended September 30, 2013, 2012 and 2011 were \$620,905, \$547,429 and \$893,161 respectively, which equal the required contributions. For the year ended September 30, 2013, retirement contributions represent 10.07% of the County’s total covered payroll.

**NOTE 9 – OTHER POSTEMPLOYEMENT BENEFITS (OPEB)**

Plan Description

The County has established the Retiree’s Health Insurance Other Postemployment 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.

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.

**FRANKLIN COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 9 – OTHER POSTEMPLOYEMENT BENEFITS (OPEB)**

The contribution rate effective for other eligible County plan members during the year for the implied subsidy is \$286 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, \$286 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 \$88,014 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 2012, the amount actually contributed to the plan, and charges in the County’s net OPEB obligation;

<b><u>Description</u></b>	<b><u>Total</u></b>
Normal cost (service for one year)	\$ 604,314
Amortization of unfunded actuarial accrued liability	<u>696,116</u>
Annual required contribution	1,300,430
Interest on net OPEB obligation	513,480
Adjustment to annual required contribution	<u>(5,999,083)</u>
Annual OPEB cost (expense)	(4,185,173)
Contribution toward the OPEB cost	<u>(88,014)</u>
Increase in net OPEB obligation	(4,273,187)
Net OPEB obligation, beginning of year	<u>12,837,000</u>
Net OPEB obligation, end of year	<u><u>\$ 8,563,813</u></u>

Estimated Net OPEB obligation for the fiscal year ending September 30, 2013 was calculated by the County’s previous actuary and disclosed in the County’s Annual Financial Statement.

A one-time item has been included in the Adjustment to the ARC for the fiscal period ending September 30, 2013. The item in the amount of (\$4,844,509) has been included in order to keep the Net OPEB obligation no greater than the Unfunded Actuarial Liability as of the end of the period.

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, 2012 was as follows:

<b><u>Year ending September 30,</u></b>	<b><u>Annual OPEB Cost</u></b>	<b><u>Percentage of OPEB Cost Contributed</u></b>	<b><u>Net OPEB Obligation</u></b>
2010	\$ 4,818,000	4%	\$ 8,533,000
2011	4,818,000	4%	12,837,000
2012	(4,185,173)	4%	8,563,813

**FRANKLIN COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

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, 2013. 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 costs 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 actuarial cost method determines, in a systematic way, the incidence of plan sponsor contributions required to provide plan benefits. It also determines how actuarial gains and losses are recognized in OPEB costs. These gains and losses result from the difference between the actual experience under the plan and what was anticipated by the actuarial assumptions.

The cost of the Plan is derived by making certain specific assumptions as to rates of interest, mortality, turnover, etc. which are assumed to hold for many years into the future. Since actual experience may differ somewhat from the long term assumptions, the costs determined by the valuation must be regarded as estimates of the true costs of the Plan.

Actuarial liabilities and comparative costs show were computed using the *Projected Unit Credit Actuarial Cost Method*, which consists of the following cost components:

- **The Normal Cost** is the Actuarial Present Value of benefits allocated to the valuation year.
- **The Actuarial Accrued Liability** is the Actuarial Present Value of benefits accrued as of the valuation date.
- **Valuation Assets** are equal to the market value of assets as of the valuation date, if any.
- **Unfunded Actuarial Accrued Liability** is the difference between the Actuarial Accrued Liability and the Valuation Assets. It is amortized over the maximum permissible period under GASB 45 of 30 years.

It should be noted that GASB 45 allows a variety of cost methods to be used. We elected this method because it is generally easy to understand and is widely used for the valuation of postemployment benefits other than pensions. Other methods used do not change the ultimate liability, but do allocate it differently between what has been earned in the past and what will be earned in the future. If a different method was used, either the normal cost would decrease and the unfunded amortization would increase, or the normal cost would increase and the amortization decrease. Please note that the net effect of the change may result in an increase or decrease in the Annual Required Contribution (ARC).

**FRANKLIN COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

The actuarial assumptions include a 4% discount rate for valuing liabilities, a 2.75% annual inflation rate. The remaining open amortization period at September 30, 2013 is 15 years.

**NOTE 10 – FUND BALANCE**

Fund balance consisted of the following amounts as of September 30, 2013:

<b><u>Fund Balances</u></b>	<b><u>Amount</u></b>
Nonspendable:	
General fund – prepaid expenses	\$ 2,475
911 trust fund	11,217
Tourist development – prepaid expenses	<u>1,500</u>
Total Nonspendable Fund Balance	<u>15,192</u>
Restricted:	
911 trust fund	360,121
Airport	65,853
Bald point trust	441,740
Boating improvement fund	78,584
Clerk’s modernization trust	167,628
Economic development fund	280,405
Hospital trust	1,476,600
Landfill	736,350
Law enforcement education trust	73,918
Law enforcement trust	3,159
Local option gas tax	1,820,480
Pier	600,641
State housing initiatives partnership	40,682
Sheriff’s special revenue funds	55,111
Tourist development fund	<u>907,273</u>
Total Restricted Fund Balance	<u>7,108,545</u>
Assigned:	
Capital projects	188,923
County road and bridge fund	652,808
Fines and forfeitures	2,808,792
Landfill	243,850
Library	42,772
Mosquito control fund	38,363
Pier	444,091
Sheriff’s special revenue funds	<u>77,967</u>
Total Assigned Fund Balance	<u>4,497,566</u>
Total Unassigned Fund Balance	<u>6,731,361</u>
Total fund Balance	<u>\$ 18,352,664</u>

**FRANKLIN COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**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 \$3,300,000 for professional liability and \$3,200,000 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 non 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
- 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 \$779,072 at September 30, 2013. 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 Count. 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 \$2,029,928 amount reported as landfills closure and postclosure care liability at September 30, 2013 (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 37% of the Class III (expansion) landfill estimated capacity. Total estimated costs are projected at \$1,950,201 for closure and \$4,231,852 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*.

**FRANKLIN COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**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**

On November 1, 2012, the County entered into a 60 month contract with rent at \$5,000 per month plus tax.

**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 \$250,000 in annual revenue.

**NOTE 16 – PRIOR PERIOD ADJUSTMENT – PROPRIETARY FUND**

As a result of corrections made during the year the net position was increased \$46,735. Prior period adjustments of an increase of \$432,361 for management fees and accrued payroll, \$13,393 for leased equipment previously expensed, and a decrease of \$399,019 in patient accounts receivable from prior years deemed not to be due.

**REQUIRED SUPPLEMENTARY INFORMATION**

FRANKLIN COUNTY, FLORIDA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED SEPTEMBER 30, 2013

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

Actuarial Valuation Date As of <u>Oct 1,</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded Actuarial (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Annual Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>(b-a)/c )</u>
2009	—	\$27,320,000	\$27,320,000	0.0%	\$6,567,000	416%
2010	—	\$27,320,000	\$27,320,000	0.0%	\$6,807,000	401%
2011	—	\$ 7,739,686	\$ 7,739,686	0.0%	\$6,910,000	112%

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

Fiscal Year Ended <u>September 30,</u>	Actual Contribution	Annual Required Contribution	Percentage Contributed
2009	\$ 311,000	\$ 4,547,000	7%
2010	\$ 311,000	\$ 4,818,000	7%
2011	\$ 311,000	\$ 4,818,000	7%
2012	\$ 88,014	\$ 1,813,910	5%

## **COMBINING FINANCIAL STATEMENTS**

**FRANKLIN COUNTY, FLORIDA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2013**

	<u>Special Revenue</u>				
	<u>County Road and Bridge</u>	<u>911 Trust</u>	<u>Landfill</u>	<u>Fire Protection</u>	<u>Airport</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 77,830	\$ 409,217	\$ 274,139	\$ 101,938	\$ 66,232
Equity in pooled cash	340,728	—	703,852	—	—
Due from other funds	16,043	—	526	—	—
Due from other government units	218,816	12,494	—	—	9,773
Prepaid expenses	—	11,217	—	—	—
Notes receivable	—	—	—	—	—
Accounts receivable (net)	<u>4,979</u>	<u>255</u>	<u>48,104</u>	<u>6,015</u>	<u>6,725</u>
<b>Total Assets</b>	<b><u>\$ 658,396</u></b>	<b><u>\$ 433,183</u></b>	<b><u>\$ 1,026,621</u></b>	<b><u>\$ 107,953</u></b>	<b><u>\$ 82,730</u></b>
<b>Liabilities Deferred Inflows and Fund Balances</b>					
<b>Liabilities</b>					
Customer deposits	—	—	4,500	—	—
Vouchers payable	2,061	—	41,921	74,869	10,534
Due to other government units	43	—	—	—	—
Due to other funds	<u>3,484</u>	<u>39,711</u>	<u>—</u>	<u>33,084</u>	<u>5,843</u>
<b>Total liabilities</b>	<b><u>5,588</u></b>	<b><u>39,711</u></b>	<b><u>46,421</u></b>	<b><u>107,953</u></b>	<b><u>16,377</u></b>
<b>Deferred Inflows</b>					
Grant funds	<u>—</u>	<u>22,134</u>	<u>—</u>	<u>—</u>	<u>500</u>
<b>Total Deferred Inflows</b>	<b><u>—</u></b>	<b><u>22,134</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>500</u></b>
<b>Fund balances</b>					
Nonspendable	—	11,217	—	—	—
Restricted	—	360,121	736,350	—	65,853
Assigned	<u>652,808</u>	<u>—</u>	<u>243,850</u>	<u>—</u>	<u>—</u>
<b>Total fund balances</b>	<b><u>652,808</u></b>	<b><u>371,338</u></b>	<b><u>980,200</u></b>	<b><u>—</u></b>	<b><u>65,853</u></b>
<b>Total liabilities Deferred Inflows and Fund balances</b>	<b><u>\$ 658,396</u></b>	<b><u>\$ 433,183</u></b>	<b><u>\$ 1,026,621</u></b>	<b><u>\$ 107,953</u></b>	<b><u>\$ 82,730</u></b>

(Continued)

**FRANKLIN COUNTY, FLORIDA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS (Continued)  
SEPTEMBER 30, 2013**

	<b>Special Revenue</b>				
	<b>Tourist Development</b>	<b>Mosquito Control</b>	<b>Clerk's Fine and Forfeitures</b>	<b>Clerk Modernization Trust</b>	<b>Sheriff's Special Revenue</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 739,312	\$ 30,505	\$ 89,487	\$ 158,470	\$ 133,078
Equity in pooled cash	74,339	6,539	—	—	—
Due from other funds	—	3,343	23,380	10,954	—
Due from other government units	143,914	—	10	—	—
Prepaid expenses	1,500	—	—	—	—
Notes receivable	—	—	—	—	—
Accounts receivable (net)	—	—	—	—	—
<b>Total Assets</b>	<b><u>\$ 959,065</u></b>	<b><u>\$ 40,387</u></b>	<b><u>\$ 112,877</u></b>	<b><u>\$ 169,424</u></b>	<b><u>\$ 133,078</u></b>
<b>Liabilities Deferred Inflows and fund balances</b>					
<b>Liabilities</b>					
Customer deposits	—	—	—	—	—
Vouchers payable	39,922	131	506	1,796	—
Due to other government units	10,370	—	96,560	—	—
Due to other funds	—	1,893	2,818	—	—
<b>Total liabilities</b>	<b><u>50,292</u></b>	<b><u>2,024</u></b>	<b><u>99,884</u></b>	<b><u>1,796</u></b>	<b><u>—</u></b>
<b>Deferred Inflows</b>					
Grant fund	—	—	12,993	—	—
<b>Total Deferred Inflows</b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>12,993</u></b>	<b><u>—</u></b>	<b><u>—</u></b>
<b>Fund balances</b>					
Nonspendable	1,500	—	—	—	—
Restricted	907,273	—	—	167,628	55,111
Assigned	—	38,363	—	—	77,967
<b>Total fund balances</b>	<b><u>908,773</u></b>	<b><u>38,363</u></b>	<b><u>—</u></b>	<b><u>167,628</u></b>	<b><u>133,078</u></b>
<b>Total liabilities Deferred Inflows and Fund balances</b>	<b><u>\$ 959,065</u></b>	<b><u>\$ 40,387</u></b>	<b><u>\$ 112,877</u></b>	<b><u>\$ 169,424</u></b>	<b><u>\$ 133,078</u></b>

(Continued)

**FRANKLIN COUNTY, FLORIDA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS (Continued)  
SEPTEMBER 30, 2013**

	<u>Special Revenue</u>					<b>Total Nonmajor Governmental Funds</b>
	<b>Hospital Trust</b>	<b>Boating Improvement</b>	<b>Law Enforcement Educational Trust</b>	<b>Law Enforcement Trust</b>	<b>Local Option Gas Tax</b>	
<b>Assets</b>						
Cash and cash equivalents	\$ 1,369,147	\$ 77,298	\$ 73,667	\$ 3,159	\$ 1,073,063	\$ 4,676,542
Equity in pooled cash	—	—	—	—	579,126	1,704,584
Due from other funds	—	1,286	251	—	—	55,783
Due from other government units	272,570	—	—	—	267,494	925,071
Prepaid expenses	—	—	—	—	—	12,717
Notes receivable	—	—	—	—	—	—
Accounts receivable (net)	—	—	—	—	—	66,078
<b>Total Assets</b>	<b><u>\$ 1,641,717</u></b>	<b><u>\$ 78,584</u></b>	<b><u>\$ 73,918</u></b>	<b><u>\$ 3,159</u></b>	<b><u>\$ 1,919,683</u></b>	<b><u>\$ 7,440,775</u></b>
<b>Liabilities Deferred Inflows and Fund Balances</b>						
<b>Liabilities</b>						
Customer deposits	—	—	—	—	—	4,500
Vouchers payable	—	—	—	—	99,203	270,943
Due to other government units	—	—	—	—	—	106,973
Due to other funds	165,117	—	—	—	—	251,950
<b>Total liabilities</b>	<b><u>165,117</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>99,203</u></b>	<b><u>634,366</u></b>
<b>Deferred Inflows</b>						
Grant funds	—	—	—	—	—	35,627
<b>Total Deferred Inflows</b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>35,627</u></b>
<b>Fund balances</b>						
Nonspendable	—	—	—	—	—	12,717
Restricted	1,476,600	78,584	73,918	3,159	1,820,480	5,745,077
Assigned	—	—	—	—	—	1,012,988
<b>Total fund balances</b>	<b><u>1,476,600</u></b>	<b><u>78,584</u></b>	<b><u>73,918</u></b>	<b><u>3,159</u></b>	<b><u>1,820,480</u></b>	<b><u>6,770,782</u></b>
<b>Total liabilities Deferred Inflows and Fund balances</b>	<b><u>\$ 1,641,717</u></b>	<b><u>\$ 78,584</u></b>	<b><u>\$ 73,918</u></b>	<b><u>\$ 3,159</u></b>	<b><u>\$ 1,919,683</u></b>	<b><u>\$ 7,440,775</u></b>

**FRANKLIN COUNTY, FLORIDA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2013**

	<u>Special Revenue</u>				
	<u>County Road and Bridge</u>	<u>911 Trust</u>	<u>Landfill</u>	<u>Fire Protection</u>	<u>Airport</u>
<b>Revenues</b>					
Taxes	\$ 12,344	\$ —	\$ —	\$ —	\$ —
Licenses and permits	—	—	—	373,722	—
Intergovernmental	1,386,985	167,777	—	—	258,158
Fines and forfeitures	—	—	—	—	—
Charges for services	—	—	569,667	—	106,729
Investment earnings and other	<u>13,622</u>	<u>998</u>	<u>2,135</u>	<u>7,013</u>	<u>1,849</u>
<b>Total Revenues</b>	<b><u>\$ 1,412,951</u></b>	<b><u>\$ 168,775</u></b>	<b><u>\$ 571,802</u></b>	<b><u>\$ 380,735</u></b>	<b><u>\$ 366,736</u></b>
<b>Expenditures</b>					
Current					
General government	—	—	—	—	—
Public safety	—	88,882	—	380,735	—
Physical environment	—	—	443,309	—	—
Economic environment	—	—	—	—	—
Transportation	1,225,958	—	—	—	110,990
Court related	—	—	—	—	—
Human services	—	—	—	—	—
Culture & recreation	—	—	—	—	—
Capital outlay	105,595	8,264	—	—	228,539
Debt service	<u>40,251</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>1,371,804</u>	<u>97,146</u>	<u>443,309</u>	<u>380,735</u>	<u>339,529</u>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<u>41,147</u>	<u>71,629</u>	<u>128,493</u>	<u>—</u>	<u>27,207</u>
<b>Other financing sources (uses)</b>					
Transfers in	99,682	—	75,000	—	—
Transfers out	—	(56,412)	(94,000)	—	—
Proceeds from debt	—	—	—	—	—
Reversion to State of Florida	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing sources (uses)	<u>99,682</u>	<u>(56,412)</u>	<u>(19,000)</u>	<u>—</u>	<u>—</u>
<b>Net change in fund balances</b>	140,829	15,217	109,493	—	27,207
<b>Fund balances - beginning</b>	<u>511,979</u>	<u>356,121</u>	<u>870,707</u>	<u>—</u>	<u>38,646</u>
<b>Fund balances - ending</b>	<b><u>\$ 652,808</u></b>	<b><u>\$ 371,338</u></b>	<b><u>\$ 980,200</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 65,853</u></b>

(Continued)

**FRANKLIN COUNTY, FLORIDA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS (Continued)**  
**SEPTEMBER 30, 2013**

	<u>Special Revenue</u>				
	<u>Tourist Development</u>	<u>Mosquito Control</u>	<u>Clerk's Fine and Forfeitures</u>	<u>Clerk Modernization Trust</u>	<u>Sheriff's Special Revenue</u>
<b>Revenues</b>					
Taxes	\$ 978,074	\$ —	\$ —	\$ —	\$ —
Licenses and permits	—	—	—	—	—
Intergovernmental	—	18,500	561,099	—	—
Fines and forfeitures	—	—	—	—	64,681
Charges for services	—	—	—	60,427	27,071
Investment earnings and other	<u>10,720</u>	<u>195</u>	<u>58</u>	<u>219</u>	<u>12,486</u>
<b>Total Revenues</b>	<b><u>\$ 988,794</u></b>	<b><u>\$ 18,695</u></b>	<b><u>\$ 561,157</u></b>	<b><u>\$ 60,646</u></b>	<b><u>\$ 104,238</u></b>
<b>Expenditures</b>					
Current					
General government	—	—	—	26,493	—
Public safety	—	—	—	—	45,204
Physical environment	—	—	—	—	—
Economic Environment	215,000	—	—	—	—
Transportation	—	—	—	—	—
Court related	—	—	555,933	16,041	—
Human services	—	161,683	—	—	—
Culture and recreation	423,764	—	—	—	—
Capital outlay	199,470	—	5,224	—	55,178
Debt service	<u>76,001</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>914,235</u>	<u>161,683</u>	<u>561,157</u>	<u>42,534</u>	<u>100,382</u>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<u>74,559</u>	<u>(142,988)</u>	<u>—</u>	<u>18,112</u>	<u>3,856</u>
<b>Other financing sources (uses)</b>					
Transfers in	—	134,824	—	—	—
Transfers out	(62,000)	—	—	—	—
Proceeds from debt	—	—	—	—	—
Reversion to State of Florida	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing sources (uses)	<u>(62,000)</u>	<u>134,824</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Net change in fund balances</b>	12,559	(8,164)	—	18,112	3,856
<b>Fund balances - beginning</b>	<u>896,214</u>	<u>46,527</u>	<u>—</u>	<u>149,516</u>	<u>129,222</u>
<b>Fund balances - ending</b>	<b><u>\$ 908,773</u></b>	<b><u>\$ 38,363</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 167,628</u></b>	<b><u>\$ 133,078</u></b>

(Continued)

**FRANKLIN COUNTY, FLORIDA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2013**

	<u>Special Revenue</u>					<b>Total Nonmajor Governmental Funds</b>
	<b>Hospital Trust</b>	<b>Boating Improvement</b>	<b>Law Enforcement Educational Trust</b>	<b>Law Enforcement Trust</b>	<b>Local Option Gas Tax</b>	
<b>Revenues</b>						
Taxes	\$ 1,632,466	—	\$ —	\$ —	\$ 229,055	\$ 2,851,939
Licenses and permits	—	—	—	—	—	373,722
Intergovernmental	—	14,513	—	—	272,976	2,680,008
Fines and forfeitures	—	—	—	—	—	64,681
Charges for services	—	—	3,531	—	—	767,425
Investment earnings and other	920	71	90	3	2,227	52,606
<b>Total Revenues</b>	<b><u>\$ 1,633,386</u></b>	<b><u>\$ 14,584</u></b>	<b><u>\$ 3,621</u></b>	<b><u>\$ 3</u></b>	<b><u>\$ 504,258</u></b>	<b><u>\$ 6,790,381</u></b>
<b>Expenditures</b>						
Current						
General government	—	—	—	—	—	26,493
Public safety	—	—	6,459	—	—	521,280
Physical environment	—	—	—	—	—	443,309
Economic environment	—	—	—	—	—	215,000
Transportation	—	—	—	—	280,274	1,617,222
Court related	—	—	—	—	—	571,974
Human services	—	—	—	—	—	161,683
Culture & recreation	—	—	—	—	—	423,764
Capital outlay	—	1,015	—	—	—	603,285
Debt service	—	—	—	—	—	116,252
<b>Total expenditures</b>	<b><u>—</u></b>	<b><u>1,015</u></b>	<b><u>6,459</u></b>	<b><u>—</u></b>	<b><u>280,274</u></b>	<b><u>4,700,262</u></b>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<b><u>1,633,386</u></b>	<b><u>13,569</u></b>	<b><u>(2,838)</u></b>	<b><u>3</u></b>	<b><u>223,984</u></b>	<b><u>2,090,119</u></b>
<b>Other financing sources (uses)</b>						
Transfers in	—	—	—	—	—	309,506
Transfers out	(1,095,824)	—	—	—	—	(1,308,236)
Proceeds from debt	—	—	—	—	—	—
Reversion to State of Florida	—	—	—	—	—	—
<b>Total other financing sources (uses)</b>	<b><u>(1,095,824)</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>(998,730)</u></b>
<b>Net change in fund balances</b>	<b>537,562</b>	<b>13,569</b>	<b>(2,838)</b>	<b>3</b>	<b>223,984</b>	<b>1,091,389</b>
<b>Fund balances - beginning</b>	<b><u>939,038</u></b>	<b><u>65,015</u></b>	<b><u>76,756</u></b>	<b><u>3,156</u></b>	<b><u>1,596,496</u></b>	<b><u>5,679,393</u></b>
<b>Fund balances - ending</b>	<b><u>\$ 1,476,600</u></b>	<b><u>\$ 78,584</u></b>	<b><u>\$ 73,918</u></b>	<b><u>\$ 3,159</u></b>	<b><u>\$ 1,820,480</u></b>	<b><u>\$ 6,770,782</u></b>

**FRANKLIN COUNTY, FLORIDA  
 COMBINING BALANCE SHEET  
 AGENCY FUNDS  
 SEPTEMBER 30, 2013**

	<u>Agency Funds Clerk</u>		
	<u>Trust Funds</u>	<u>Registry of Court</u>	<u>Child Support</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 64,010	\$ 372,262	\$ 387
<b>Total Assets</b>	<b><u>\$ 64,010</u></b>	<b><u>\$ 372,262</u></b>	<b><u>\$ 387</u></b>
<b>Liabilities</b>			
Due to individuals	221	372,262	387
Due to other funds	41,357	—	—
Due to other governments	<u>22,432</u>	<u>—</u>	<u>—</u>
<b>Total Liabilities</b>	<b><u>\$ 64,010</u></b>	<b><u>\$ 372,262</u></b>	<b><u>\$ 387</u></b>

(continued)

**FRANKLIN COUNTY, FLORIDA  
 COMBINING BALANCE SHEET  
 AGENCY FUNDS (Continued)  
 SEPTEMBER 30, 2013**

	<u>Agency Funds – Sheriff</u>		<u>Agency Funds – Tax Collector</u>		<u>Total</u>
	<u>Bonds</u>	<u>Inmate Trust</u>	<u>Tax</u>	<u>Tag Agency</u>	
<b>Assets</b>					
Cash and cash equivalents	\$ 46,000	\$ 3,404	\$ 312,969	\$ 13,116	\$ 812,148
<b>Total Assets</b>	<b>\$ 46,000</b>	<b>\$ 3,404</b>	<b>\$ 312,969</b>	<b>\$ 13,116</b>	<b>\$ 812,148</b>
<b>Liabilities</b>					
Due to individuals	46,000	3,404	27,237	—	449,511
Due to other funds	—	—	1,286	—	42,643
Due to other governments	—	—	284,446	13,116	319,994
<b>Total Liabilities</b>	<b>\$ 46,000</b>	<b>\$ 3,404</b>	<b>\$ 312,969</b>	<b>\$ 13,116</b>	<b>\$ 812,148</b>

## **COMPLIANCE SECTION**

# Vance CPA LLC

*Certified Public Accountant*

219-B Avenue E

Apalachicola, FL 32320

Tel. (888) 531-6408 • Fax (866) 406-7422

## INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

We have audited the financial statements of the Franklin County, Florida, as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated June 25, 2014.

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 Compliance and Other Matters, Independent Auditor's Report on Compliance with Requirements that could have a direct and material effect on each Major Federal Program and State Project and on Internal Control over Compliance, with OMB Circular A-133 and Chapter 10.550 Rules of the Auditor General and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated June 9, 2014, should be considered in conjunction with this management letter.

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

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 under the heading current year findings and recommendations. See also Summary Schedule of Prior Year Audit Findings.

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 findings and 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 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, 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. The Franklin County, Florida was established by the Constituion 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 the financial statements.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal and other state granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Vance CPA LLC*

**Vance CPA LLC**

June 25, 2014

# Vance CPA, LLC

*Certified Public Accountant*

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## INDEPENDENT AUDITOR'S 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2013, and the related notes to the financial statements, which collectively comprise the Franklin County Florida's basic financial statements and have issued our report thereon dated June 25, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Franklin County Florida's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Franklin County Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of Franklin County Florida's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a

combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. (2013-1 through 13-05).

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Franklin County Florida's financial statements are free from 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*.

### **Franklin County Florida's Response to Findings**

Franklin County Florida's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Franklin County Florida's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Vance CPA LLC*

**Vance CPA LLC**  
June 25, 2014

# Vance CPA LLC

*Certified Public Accountant*

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## **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**

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

### **Report on Compliance for Each Major Federal Program**

We have audited Franklin County Florida's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Franklin County Florida's major federal programs for the year ended September 30, 2013. Franklin County Florida's major federal programs are identified in the summary of auditor's result section of the accompanying schedule of findings and responses.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Franklin County, Florida's major federal programs based on our audit of the types of compliance requirements referred to above. 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Franklin County, Florida's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Franklin County, Florida complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

### **Report on Internal Control Over Compliance**

Management of Franklin County, Florida is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Franklin County, Florida's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify all deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Vance CPA LLC*

**Vance CPA LLC**  
June 25, 2014

**FRANKLIN COUNTY, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED SEPTEMBER 30, 2013**

<b>Federal Awards Program</b>	<b>CFDA #</b>	<b>Contract/Grant Number</b>	<b>Expenditures</b>
<b>U.S. Department Of Homeland Security</b>			
Passed through Florida Department of Community Affairs			
Disaster Grants – Public Assistance			
Emergency Management Performance Grant	97.042	13-FG-86-02-29-01-086	<u>20,598</u>
Emergency Management Mitigation Grant	97.039	12HM-3G-02-29-01-002	<u>40,676</u>
FEMA TS DEBBY – Debris Removal	97.036	13-DB-73-02-29-02-557	312,687
FEMA TS DEBBY	97.036	TBD-585	142,928
FEMA 1595-DR-FL-Hurricane Dennis	97.036	06-DN-G-02-29-01-588	<u>680,873</u>
Total CFDA			<u>1,136,488</u>
Emergency Management CERT Team Grant	97.067	1205-20-02-29-01-345	<u>20,000</u>
<b>Total Department of Homeland Security</b>			<b><u>1,217,762</u></b>
<b>U.S. Department of Transportation</b>			
Passed through Florida Department of Transportation			
SR30 Multi-use Path	20.205	42574005801	1,183
LAPCR370 Multi-use Path	20.205	42985413801	<u>43,820</u>
Total CFDA			<u>45,003</u>
<b>Total Department of Transportation</b>			<b><u>45,003</u></b>
<b>U.S. Department Of Housing and Urban Development</b>			
Passed through Florida Department of Community Affairs			
CDBG Elevate Approaches to Pine Log Bridge	14.228	12DB-P5-02-29-01-N76	9,190
CDBG Construction EPWSD Grant	14.228	09DB-1A-02-29-01-N76	<u>89,005</u>
Total CFDA			<u>98,195</u>
<b>Total Department of Housing and Urban Development</b>			<b><u>98,195</u></b>
<b>U.S. Department of Justice</b>			
Passed through Florida Department of Legal Affairs			
Rural Sexual Assault Program	16.589	12RUB02	12,190
Rural Domestic Violence, Sexual Assault and Stalking Assistance	16.589	2010-WR-AX-0014	<u>8,089</u>
Total CFDA			<u>20,279</u>
Edward Byrne Law Enforcement Grant	16.738	2013-JAGD-FRAN-1-D8-004	1,631
Edward Byrne Memorial Justice Assistance Grant- Narcotics Unit Urban Enforcement	16.738	2013-JAGC-FRAN-1-D7-074	<u>62,668</u>
Total CFDA			<u>64,299</u>
Victims of Crime Act	16.575	V11100	<u>18,946</u>
<b>Total Department of Justice</b>			<b><u>103,524</u></b>

**FRANKLIN COUNTY, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE (continued)  
YEAR ENDED SEPTEMBER 30, 2013**

<b>Federal Awards Program</b>	<b>CFDA #</b>	<b>Contract/Grant Number</b>	<b>Expenditures</b>
<b>U.S. Department Of Energy</b>			
Passed through Florida Department of Agriculture ARRA – Florida Energy Efficiency Grant	81.041	ARE066	<u>242,000</u>
<b>Total Department of Energy</b>			<b><u>242,000</u></b>
<b>U.S. Department Of Aggriculture</b>			
Passed through Florida Department of Agriculture National Forest funds – Secure Rural Schools Funds	10.665	Secure Rural Schools Funds	<u>17,464</u>
<b>Total Department of Agriculture</b>			<b><u>17,464</u></b>
<b>U.S. Department of Health and Human Services</b>			
Passed through Florida Department of Health			
HRS Service of Process	93.563	2013-JAGD-FRAN-1-D8-004	1,544
Sport Fish Restoration – Boat Access (Lands Landing)	93.563	11146	<u>48,239</u>
Total CFDA			<u>49,783</u>
Edward Byrne Law Enforcement Grant	93.241	2013-JAGD-FRAN-1-D8-004	5,000
Sport Fish Restoration – Boat Access (Lands Landing)	93.301	11146	<u>9,000</u>
<b>Total Department of Department of Health and Human Services</b>			<b><u>63,783</u></b>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 1,787,731</u></b>

**FRANKLIN COUNTY, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE (continued)  
YEAR ENDED SEPTEMBER 30, 2013**

<b>State Financial Assistance Projects</b>	<b>CFDA #</b>	<b>Contract/Grant Number</b>	<b>Expenditures</b>
<b>Florida Housing Finance Agency</b>			
State Housing Initiatives Partnership (SHIP)	52.901	2010/2011	83,849
State Housing Initiatives Partnership (SHIP)	52.901	2012/2013	<u>63,929</u>
Total CFDA			<u>147,778</u>
<b>Total Housing Finance Agency</b>			<b><u>147,778</u></b>
<b>Florida Department of Transportation</b>			
Airport Sweeper Truck	55.004	42071819401 AQW52	197,109
Airport 10,000 SF Hangar/Office Phase III	55.004	42072019401 APC84	22,150
Airport Relocate Water & Sewer	55.004	42071819401 AP088	14,964
Airport Stormwater Sewer Upgrade PHIII	55.004	42071719401 AP273	10,800
Airport Corporate Hangar/Office	55.004	42037719401 AQ502	5,386
Airport Rehab Runway 14/32	55.004	41604819401 AQF78	<u>7,749</u>
Total CFDA			<u>258,158</u>
LAP-Resurface CR384	55.009	42569715801 AR088	<u>676</u>
CIGP-CCLANS	55.008	42970215801 AQR52	<u>231,624</u>
<b>Total Department of Transportation</b>			<b><u>490,458</u></b>
<b>Florida Department of Environmental Protection</b>			
Consolidated Solid Waste Management Grant	37.012	3085C	<u>70,484</u>
<b>Total Department of Environmental Protection</b>			<b><u>70,484</u></b>
<b>Florida Department of Health</b>			
County Grant Awards	64.005	C1019	<u>1,436</u>
<b>Total Department of Health</b>			<b><u>1,436</u></b>
<b>Florida Department of State</b>			
State Aid to Libraries	45.03		<u>67,202</u>
<b>Total Department of State</b>			<b><u>67,202</u></b>
<b>Florida Department of Agriculture</b>			
Mosquito Control – State I	42.003	018777	<u>18,500</u>
<b>Total Department of Agriculture</b>			<b><u>18,500</u></b>
<b>Department of Community Affairs</b>			
Emergency Mgmt Preparedness Grant EMPA	52.008	14-BG-83-02-29-01-019	5,000
Emergency Mgmt Preparedness Grant EMPA	52.008	13-BG-83-02-29-01-019	<u>100,764</u>
Total CSDA			<u>105,764</u>
<b>Total Department of Community Affairs</b>			<b><u>105,764</u></b>

**FRANKLIN COUNTY, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE (continued)  
YEAR ENDED SEPTEMBER 30, 2013**

<b>State Financial Assistance Projects</b>	<b>CFDA #</b>	<b>Contract/Grant Number</b>	<b>Expenditures</b>
<b>Florida Department of Management Services</b>			
E911 Maintenance	72.001	12-10-4	4,167
E911 System	72.001	13-4-7	1,602
Sm. Co. GIS Map Display (E911)	72.001	11-01-35	8,264
Sm. Co. E911 Mapping Grant	72.001	11-10-38	<u>25,656</u>
Total CSDA			<u>39,689</u>
<b>Total Department of Management Services</b>			<b><u>39,689</u></b>
<b>Florida Department of Economic Opportunity</b>			
Economic Development Initiative	40.024	P0022	<u>55,000</u>
<b>Total Department of Economic Opportunity</b>			<b><u>55,000</u></b>
<b>Florida Fish and Wildlife Conservation Commission</b>			
Abercrombie & SGI Boat Ramp – FBIP Grant	77.006	FWC Contract #11144	<u>680</u>
<b>Total Department of Wildlife and Conservation Commission</b>			<b><u>680</u></b>
<b>Total Expenditures of State Awards</b>			<b><u>\$ 995,555</u></b>

**FRANKLIN COUNTY, FLORIDA  
NOTES TO SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED SEPTEMBER 30, 2013**

**Note 1 – Basis of Accounting**

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

**Note 2 – Reporting Entity**

For the purpose of the supplementary 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 No. 14, *The Financial Reporting Entity*.

**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 supplementary schedule of expenditures of federal awards and state financial assistance.

**FRANKLIN COUNTY, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2013**

**Section 1 – Summary of Auditor’s Results**

Financial Statements

Type of auditor’s report issued	Unqualified	
Internal control over financial reporting		
Material weakness(es) identified?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
Significant deficiency(ies) identified not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted:	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no

Federal Awards and State Financial Assistance

Internal control over major programs material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency (ies) identified not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> 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 Section 10.557, Rules of the Auditor General?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
---	------------------------------	--

Identification of major federal awards/state financial assistance projects:

<u>CFDA/CSFA Number</u>	<u>Name of Federal Award/State Financial Assistance Project</u>
81.041	State Energy Program
97.036	Disaster Grants
55.004	Airport Rehab
55.008	CIGP – CC Land

(continued)

**FRANKLIN COUNTY, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)  
YEAR ENDED SEPTEMBER 30, 2013**

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

Auditee qualified as low-risk auditee?  X  yes   none

**Section II – Financial Statement Findings**

See Summary Schedule of Current Year Findings

**Section III – Findings and Questioned Costs – Major Federal Award Programs**

No findings or questioned costs in the current year.

**Section IV – Findings and Questioned Costs – Major State Financial Assistance Projects**

No findings or questioned costs in the current year.

**Section V – Other Issues**

No Corrective Action Plan is required because there were no findings required to be reported under the Florida single Audit Act.

**FRANKLIN COUNTY, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
SEPTEMBER 30, 2013**

**SUMMARY SCHEDULE OF CURRENT YEAR AUDIT FINDINGS**

**13-01 (Prior year 12-01, 11-01, 10-01 and 09-01) Significant Audit Adjustments**

Board of County Commissioners

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.

**13-02 (Prior year 12-02, 11-02, 10-02 and 09-02) Inadequate Design of Internal Controls**

Board of County Commissioners

Inadequate design of internal control over the preparation of the financial statements being audited.

**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 resources necessary for us to prepare our own financial statements would outweigh the cost of those resources.

**13-03 (Prior year 12-03, 11-03, 10-03 and 09-03) Need for Segregation of Duties**

Supervisor of Elections, 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  
SUMMARY SCHEDULE OF CURRENT YEAR AUDIT FINDINGS  
SEPTEMBER 30, 2013**

**13-04 (Prior year 12-04, 11-04) Significant Audit Adjustments**

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

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.

**13-05 (Prior year 12-05, 11-05) Inadequate Design of Internal Controls**

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.

**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.