

Franklin County, Florida  
Annual Financial Statements  
September 30, 2006

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Franklin County, Florida as of and for the year ended September 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Franklin County, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Franklin County, Florida as of September 30, 2006, and the respective changes in financial position, and where applicable, the cash flows thereof, and the respective budgetary comparison for the general fund and the major special revenue funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated, June 20, 2007, on our consideration of Franklin County, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

American Institute of  
Certified Public Accountants

Alabama Society of  
Certified Public Accountants

Florida Institute of  
Certified Public Accountants

Georgia Society of  
Certified Public Accountants

Mississippi Society of  
Certified Public Accountants

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Company Audit Firms

Management's discussion and analysis on pages 3 through 12, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Franklin County, Florida's basic financial statements. The combining and individual fund statements and schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of state financial assistance and findings and questioned costs are presented for the purpose of additional analysis, as required by Chapter 10.550, State of Florida, *Rules of the Auditor General* and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Panama City, Florida  
June 20, 2007

## Management's Discussion and Analysis

## Management's Discussion and Analysis

The Management of the Board of County Commissioners of Franklin County (the "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 (MD&A) is intended to highlight significant transactions, events and conditions, it should be considered in conjunction with the County's financial statements.

### Financial Highlights

- The County's total net assets increased significantly with an increase of \$6,510,617 (or 24%) from September 30, 2005, to September 30, 2006.
- During the year ended September 30, 2006, the financial statements show that the County's General Fund expenditures exceeded revenues by \$2,195,760. Please note, however, this unfavorable variance is created by adjustments moving the expenditure for the Sheriff's annual budget from the Fine & Forfeiture Fund to General Fund. Also, note that adjustments include operating transfers each year from the Fine and Forfeiture Fund to General Fund for the Sheriff's annual budget.
- The County's depreciable capital assets, net of accumulated depreciation, increased \$968,451 which represents an increase of 6% for the year.

### Nonfinancial Events

- Many projects are being completed as part of the Airport Master Plan. Projects completed in the current year included: purchase of a Ground Link Communication System, completion of the airport property map/survey, and the purchase of a maintenance tractor. Additional projects have been undertaken during the 05/06 fiscal year and are still in process. New projects include: relocation of the fuel farm, updating the airport master plan, rehabilitation of Runway 13-31, construction of a corporate hangar, and extension of the airport entrance road.
- The initial/engineering phase of the Alligator Point Beach Restoration project began in FY 05/06. This project includes relocating the Alligator Point Road, as well as, beach renourishment. This project will require approximately two years to complete.
- The planning and engineering phase of the Bluff Road Boat Ramp project began during the prior year. Construction was funded by a FRDAP grant and completed during the 05/06 fiscal year.
- The County was the recipient of FRDAP grants during the 05/06 fiscal year to continue work on the recreational park in Carrabelle. This project began with the purchase of the land using funds from a previous FRDAP grant. Survey and site preparation were completed during FY 04/05 using funds from a St. Joe Foundation grant to assist with the development of a recreational park in Carrabelle. Work will continue on this project into the 06/07 fiscal year.

- During the current year construction was begun on the Lake Morality Road project as well as the resurfacing of CR30. Construction should be completed in fiscal year 06/07.
- During the 05/06 fiscal year, the County was the recipient of courthouse facilities grant-in-aid funds for renovation of the courthouse. This renovation includes roof repair, updating electrical wiring, ceiling replacement, and construction of a new finance office. The project will continue into FY 06/07.
- In January 2006, the County assumed the operation of George E. Weems Memorial Hospital when the lessee, Dassee Community Health, notified the Board of its inability to continue operating the facility. This action required that the County fund the operations entirely from general revenues for the first 6 months until billing and other issues could be resolved. At the end of the fiscal year, the County was considering various options regarding the continued operation of the hospital.
- The County's property base continued to increase in value as depicted later in a graph under the subheading Taxable Value of Property and Millage Rates. As a result of the increase in property values, the County has been able to assess lower millage rates each year for the past several years.

## **Overview of the Financial Statements**

The basic financial statements consist of three components:

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

In addition, this report presents certain required supplementary information.

## **Government-wide Financial Statements**

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

- The *statement of net assets* provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the County.

- The *statement of activities* presents information showing how the County's net assets changed during the 2006 fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes earned, and earned but unused vacation leave). This statement is intended to summarize and simplify the user's analysis of cost of various governmental services. An increase or decrease in net assets is an indication of whether the County's financial health is improving or deteriorating.

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

Over a period of time, changes in the County's net assets are an indication of improving or deteriorating financial condition. This information should be evaluated in conjunction with other nonfinancial factors, such as changes in the County's property tax base and the condition of the County's capital assets including infrastructure assets.

### **Fund Financial Statements**

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

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

- Governmental Funds - these funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. This financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year. Consequently, the governmental fund statements provide a detailed short-term view that may be used to evaluate the County's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

- Proprietary Funds - The County maintains one type of proprietary fund which is the Hospital Fund. This fund is used to report business-type activities in the government-wide financial statements. The County uses the hospital fund to account for the fiscal activities relating to the hospital and emergency medical services provided in Franklin County. Proprietary funds provide the same type of information found in the government-wide financial statements, but in greater detail.
- Fiduciary (Agency) Funds – Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide statements because the resources are not available to support the County's own programs. In its fiduciary capacity, the County is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

### **Infrastructure Assets**

While the County has implemented the major model portions of GASB Statement 34, the County deferred implementing the infrastructure portion (related to general governmental activities). Historically, a government's largest group of assets (infrastructure – roads, bridges, traffic signals, underground pipes) have not been reported nor depreciated in government 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 information about the condition and maintenance of condition of the government infrastructure assets should assist financial statement users in evaluating a local government and its performance over time.

### **Government-wide Financial Analysis**

#### **Statement of Net Assets**

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$33 million at the close of the fiscal year ended September 30, 2006.

**Franklin County, Florida  
Net Assets**

*September 30, 2006 and 2005*

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	**	2006	2005
Current and other assets	<b>\$18,668,584</b>	\$15,275,569	<b>\$3,023,229</b>		<b>\$21,691,813</b>	\$15,275,569
Capital assets, net	<b>17,095,306</b>	16,596,221	<b>469,366</b>		<b>17,564,672</b>	16,596,221
<b>Total assets</b>	<b>35,763,890</b>	31,871,790	<b>3,492,595</b>		<b>39,256,485</b>	31,871,790
Current and other liabilities	<b>2,488,340</b>	2,073,762	<b>537,139</b>		<b>3,025,479</b>	2,073,762
Long-term liabilities	<b>2,192,020</b>	2,985,103	<b>715,444</b>		<b>2,907,464</b>	2,985,103
<b>Total liabilities</b>	<b>4,680,360</b>	5,058,865	<b>1,252,583</b>		<b>5,932,943</b>	5,058,865
Net assets invested in capital assets, net of related debt	<b>14,612,628</b>	15,630,882	<b>414,260</b>		<b>15,026,888</b>	15,630,882
Net assets – Restricted debt service	<b>372,350</b>	496,350	-		<b>372,350</b>	496,350
Net assets – Restricted law enforcement	<b>11,568</b>	15,551	-		<b>11,568</b>	15,551
Net assets – unrestricted	<b>16,086,984</b>	10,670,142	<b>1,825,752</b>		<b>17,912,736</b>	10,670,142
<b>Total net assets</b>	<b>\$31,083,530</b>	\$26,812,925	<b>\$2,240,012</b>		<b>\$33,323,542</b>	\$26,812,925

\*\*Business-type activities are new for the County this year; therefore, financial data is not available for the prior year.

## Statement of Activities

The following schedule summarizes revenues and expenses for the years ended September 30, 2006 and 2005:

### Franklin County, Florida Changes in Net Assets

Years Ended September 30, 2006 and 2005

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	**	2006	2005
<b>Program revenues</b>						
Charges for services	\$ 2,500,445	\$ 2,713,461	\$ 3,392,834		\$ 5,893,279	\$ 2,713,461
Operating grants/contributions	5,199,652	2,291,053	846,929		6,046,581	2,291,053
Capital grants/contributions	513,613	428,281	407,614		921,227	428,281
<b>General revenues</b>						
Property taxes	13,515,658	10,440,945	-		13,515,658	10,440,945
Other taxes	3,357,886	3,240,872	-		3,357,886	3,240,872
Investment earnings	627,302	325,680	-		627,302	325,680
Other	391,404	407,740	-		391,404	407,740
Transfers	(1,786,402)	-	1,786,402		-	-
<b>Total revenues</b>	<b>24,319,558</b>	<b>19,848,032</b>	<b>6,433,779</b>		<b>30,753,337</b>	<b>19,848,032</b>
<b>Expenses</b>						
Program activities						
General government	4,028,849	3,483,372	-		4,028,849	3,483,372
Public safety	6,785,572	5,739,515	-		6,785,572	5,739,515
Physical environment	610,741	1,141,425	-		610,741	1,141,425
Transportation	4,121,043	2,032,051	-		4,121,043	2,032,051
Economic environment	852,002	359,140	-		852,002	359,140
Human services	1,145,495	992,885	-		1,145,495	992,885
Culture and recreation	1,027,408	410,068	-		1,027,408	410,068
Court related	1,437,963	1,380,825	-		1,437,963	1,380,825
Interest and other charges	39,880	58,582	-		39,880	58,582
Business-type activities	-	-	4,193,767		4,193,767	-
<b>Total expenses</b>	<b>20,048,953</b>	<b>15,597,863</b>	<b>4,193,767</b>		<b>24,242,720</b>	<b>15,597,863</b>
<b>Net increase (decrease)</b>	<b>4,270,605</b>	<b>4,250,169</b>	<b>2,240,012</b>		<b>6,510,617</b>	<b>4,250,169</b>
Net assets - beginning	26,812,925	23,491,751	-		26,812,925	23,491,751
Prior period adjustment	-	(928,995)	-		-	(928,995)
Net assets - beginning (restated)	26,812,925	22,562,756	-		26,812,925	22,562,756
<b>Net assets - ending</b>	<b>\$31,083,530</b>	<b>\$26,812,925</b>	<b>\$ 2,240,012</b>		<b>\$33,323,542</b>	<b>\$26,812,925</b>

\*\*Business-type activities are new for the County this year; therefore, financial data is not available for the prior year.

## Financial Analysis of Individual Funds

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

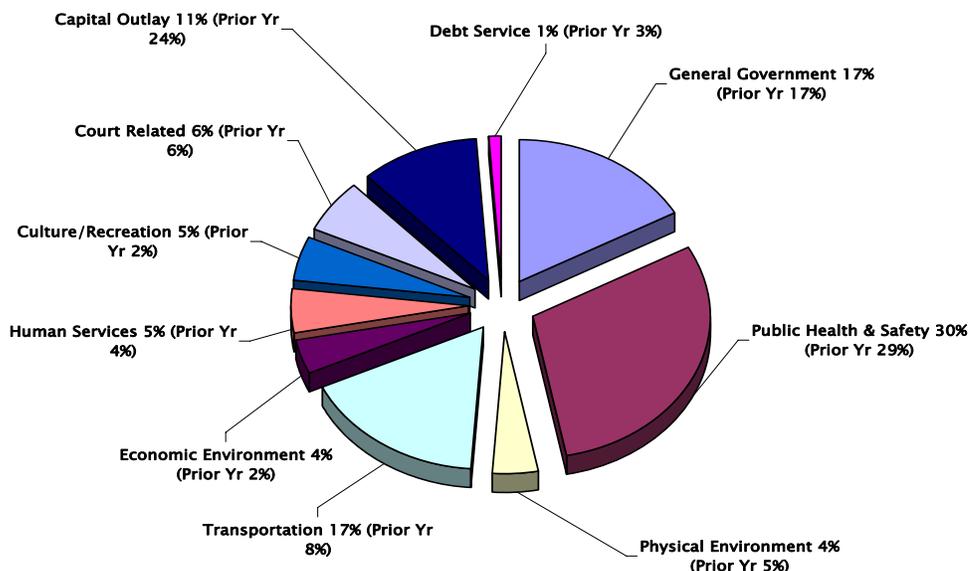
### Governmental Funds

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

<i>September 30,</i>	<b>2006</b>	2005
Total fund balance	<b>\$ 16,464,686</b>	\$ 13,468,345
Less reserved fund balance for:		
Debt service	<b>372,350</b>	496,350
Landfill escrow	<b>643,247</b>	613,400
Law enforcement	<b>11,568</b>	15,551
<b>Unreserved fund balance</b>	<b>\$ 15,437,521</b>	\$ 12,343,044

As of the end of fiscal year 2006, the County's governmental funds reported combined ending fund balances of \$16.5 million. Of this amount, *unreserved fund balance* is \$15.4 million and is not entirely available for spending (depending on fund restrictions) at the County's discretion.

### Total Governmental Funds Expenditures by Functions



## Major Funds

The General, Fines and Forfeitures, Local Option Gas Tax, Affordable Housing, Economic Development CDBG and the Hospital are reported as major funds.

- The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are not required either legally or by generally accepted accounting principles to be accounted for in other funds are accounted for in the general fund.
- General operating funds of the Clerk of the Circuit Court, Property Appraiser, Sheriff, Tax Collector, and Supervisor of Elections represent subfunds of the County's general fund that are held and accounted for individually, but presented with the balance of the Board of County Commissioners' operating funds.
- Fines and Forfeitures is the fund that accounts for fines and ad valorem taxes that are used to support the operations of the court system, law enforcement, and the jail.
- The Local Option Gas Tax Fund accumulates funds derived from the local option gas tax revenues collected from gasoline sales in Franklin County. These funds are used for road construction and resurfacing.
- The Affordable Housing Fund is comprised of State grant funds which are primarily used for low to moderate income recipients for rehabilitation of existing homes, down payment assistance for purchase of new homes, emergency repairs, and construction of new homes throughout Franklin County.
- The Economic Development CDBG Fund is comprised of repayments of loans originally granted to individuals from CDBG funds.
- The Hospital Fund is the fund that accounts for charges for services that are used to support the operations of the hospital and emergency medical services.

## Budget Variances in the Major Funds

- Tax revenue of the general fund shows an unfavorable budget variance of \$299,487. 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.
- Tax revenue of the fine & forfeiture fund shows an unfavorable budget variance of \$257,272. The County budget shows 100% of anticipated revenues with the "Less 5% of estimated revenues" being shown separately as a deduction. Additionally, taxpayers can take advantage of as much as 4% reduction in taxes by paying in the month of November.
- Tax revenue of the local option gas tax fund shows a favorable budget variance of \$18,151. This is not unusual since the budget is based on an estimated tax collection on gallons of gasoline sold during the year. Various factors can affect the volume of gasoline sold in the County.

- The local option gas tax fund shows an unfavorable budget variance of \$729,208 in the category of intergovernmental revenues. This variance is primarily caused by grant revenues budgeted for two paving projects, CR30 and Lake Morality Road. These projects were not completed in the year as originally anticipated causing the actual grant revenues received to be significantly less than budgeted. The balance of this variance is a result of funds pledged by the City of Apalachicola to assist with the County's paving project. However, the City did not provide those matching funds during the fiscal year.
- Expenditures in the affordable housing fund were less than budgeted by \$120,538. These unspent grant funds will be available in the 2006-2007 fiscal year.
- The Economic Development CDBG Fund is comprised of repayments of loans originally granted to individuals from CDBG funds.

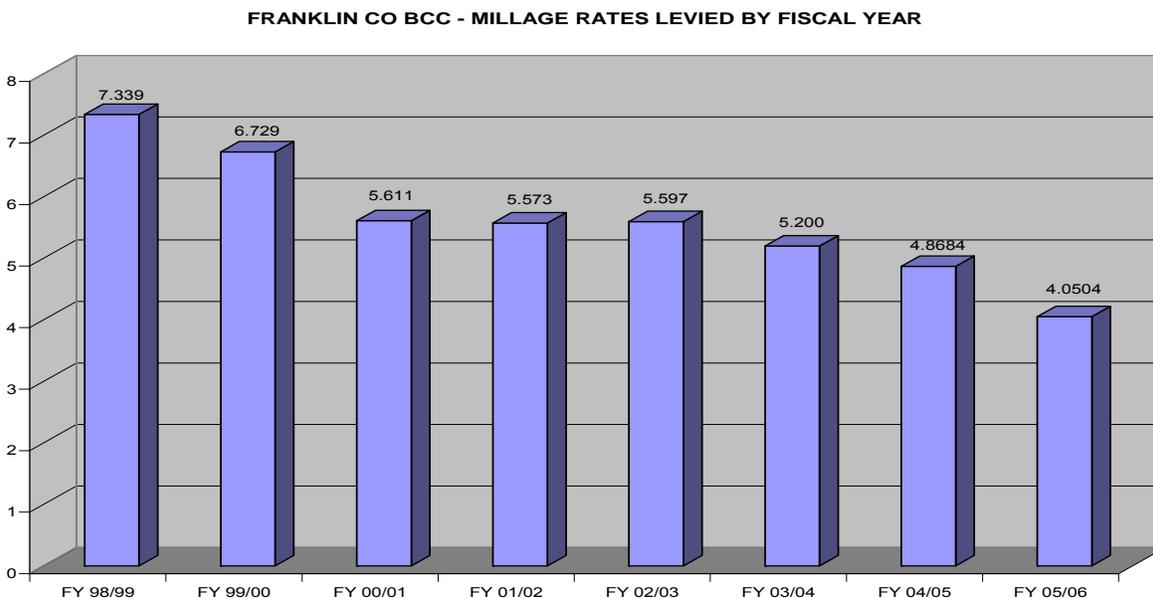
### Capital Assets and Long-Term Debt

- During the year, the County incurred costs of \$508,697 for construction in progress as of September 30, 2006. Construction of the Bluff Road Boat Ramp was completed with costs totaling \$261,127.
- Additional purchases which increased capital asset value include: a CAT excavator, Caterpillar 930G WHL LDR, a 2006 Freightliner and a new voting system.
- The County issued new long-term debt during the 2006 fiscal year in the amount of \$600,000 for hospital operating capital. An additional \$60,009 was added to long-term debt for capital leases for hospital equipment.

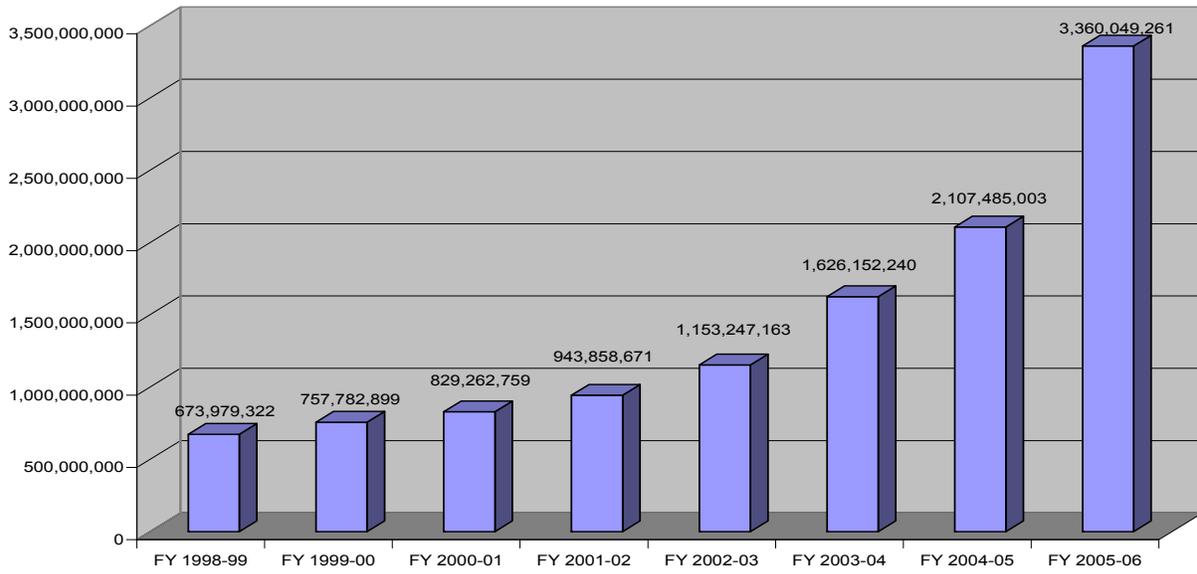
### Significant Economic Factors

#### Taxable Value of Property and Millage Rates

The County received approximately \$13.5 million in property taxes based on the certified taxable value of property in Franklin County. As a result of the increase in property values, the County has been able to reduce its assessment of millage rates to citizens as depicted in the following graphs.



**CERTIFIED TAXABLE VALUE OF PROPERTY BY FISCAL YEAR**



**Requests for Information**

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

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

## Basic Financial Statements

Franklin County, Florida  
Statement of Net Assets  
September 30, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 4,430,441	\$ 138,987	\$ 4,569,428
Equity in pooled cash	12,388,453	60,755	12,449,208
Receivables (net)			
Accounts	100,946	2,733,366	2,834,312
Notes	133,316	-	133,316
Prepaid expenses	-	18,600	18,600
Inventory	-	71,521	71,521
Due from other governments	1,615,428	-	1,615,428
<b>Total current assets</b>	<b>18,668,584</b>	<b>3,023,229</b>	<b>21,691,813</b>
Noncurrent assets			
Capital assets			
Land	1,098,738	-	1,098,738
Buildings	10,001,148	211,371	10,212,519
Improvements other than buildings	2,663,579	-	2,663,579
Machinery and equipment	11,056,691	292,626	11,349,317
Infrastructure	4,078,343	-	4,078,343
Construction in progress	508,697	-	508,697
Less allowance for depreciation	(12,311,890)	(34,631)	(12,346,521)
<b>Total noncurrent assets</b>	<b>17,095,306</b>	<b>469,366</b>	<b>17,564,672</b>
<b>Total assets</b>	<b>\$ 35,763,890</b>	<b>\$ 3,492,595</b>	<b>\$ 39,256,485</b>

(Continued)

Franklin County, Florida  
Statement of Net Assets (Continued)  
September 30, 2006

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Liabilities and net assets</b>			
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	\$ 696,138	\$ 497,357	\$ 1,193,495
Due to other governments	220,779	-	220,779
Deferred revenue	1,156,058	12,970	1,169,028
Notes and leases payable	174,486	13,739	188,225
Bonds payable	107,000	-	107,000
Accrued compensated absences	133,879	13,073	146,952
<b>Total current liabilities</b>	<b>2,488,340</b>	<b>537,139</b>	<b>3,025,479</b>
Noncurrent liabilities			
Accrued compensated absences	495,641	74,077	569,718
Notes and leases payable	179,302	641,367	820,669
Bonds payable	231,000	-	231,000
Long-term landfill closure liability	1,286,077	-	1,286,077
<b>Total noncurrent liabilities</b>	<b>2,192,020</b>	<b>715,444</b>	<b>2,907,464</b>
<b>Total liabilities</b>	<b>4,680,360</b>	<b>1,252,583</b>	<b>5,932,943</b>
Net assets			
Invested in capital assets, net of related debt	14,612,628	414,260	15,026,888
Restricted for			
Debt service	372,350	-	372,350
Law enforcement	11,568	-	11,568
Unrestricted	16,086,984	1,825,752	17,912,736
<b>Total net assets</b>	<b>\$ 31,083,530</b>	<b>\$ 2,240,012</b>	<b>\$ 33,323,542</b>

See accompanying notes

Franklin County, Florida  
Statement of Activities  
Year Ended September 30, 2006

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental activities							
General government	\$ 4,028,849	\$ 532,890	\$ 51,123	\$ -	\$ (3,444,836)	\$ -	\$ (3,444,836)
Public safety	6,785,572	1,059,777	275,981	-	(5,449,814)	-	(5,449,814)
Physical environment	610,741	411,513	191,176	-	(8,052)	-	(8,052)
Transportation	4,121,043	-	1,485,421	363,613	(2,272,009)	-	(2,272,009)
Economic environment	852,002	-	816,300	-	(35,702)	-	(35,702)
Human services	1,145,495	2,394	349,518	-	(793,583)	-	(793,583)
Culture and recreation	1,027,408	22,649	2,030,133	150,000	1,175,374	-	1,175,374
Court related	1,437,963	471,222	-	-	(966,741)	-	(966,741)
Interest on long-term debt	39,880	-	-	-	(39,880)	-	(39,880)
Total governmental activities	20,048,953	2,500,445	5,199,652	513,613	(11,835,243)	-	(11,835,243)
Business-type activities							
Hospital	4,193,767	3,392,834	846,929	407,614	-	453,610	453,610
Total business-type activities	4,193,767	3,392,834	846,929	407,614	-	453,610	453,610
Total primary government	\$ 24,242,720	\$ 5,893,279	\$ 6,046,581	\$ 921,227	(11,835,243)	453,610	(11,381,633)
General revenues							
Taxes							
					13,515,658	-	13,515,658
					53,696	-	53,696
					325,918	-	325,918
					2,978,272	-	2,978,272
					627,302	-	627,302
					391,404	-	391,404
					17,892,250	-	17,892,250
					(1,786,402)	1,786,402	-
					16,105,848	1,786,402	17,892,250
					4,270,605	2,240,012	6,510,617
					26,812,925	-	26,812,925
					\$ 31,083,530	\$ 2,240,012	\$ 33,323,542

See accompanying notes

Franklin County, Florida  
Balance Sheet  
Governmental Funds  
September 30, 2006

	General Fund	Fines and Forfeitures	Local Option Gas Tax	Affordable Housing	Economic Development CDBG	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Cash and cash equivalents	\$ 615,867	\$ 82,631	\$ 828,884	\$ 7,883	\$ 9,713	\$ 2,885,463	\$ 4,430,441
Equity in pooled cash	5,122,721	2,113,311	651,717	709,259	241,018	3,550,427	12,388,453
Due from other funds	85,872	-	-	16,034	-	30,517	132,423
Due from other governmental units	406,121	56,987	618,962	-	-	533,358	1,615,428
Accounts receivable (net)	9,488	14,979	-	-	-	31,411	55,878
Notes receivable (net)	-	-	-	125,637	329,768	-	455,405
<b>Total assets</b>	<b>\$ 6,240,069</b>	<b>\$ 2,267,908</b>	<b>\$ 2,099,563</b>	<b>\$ 858,813</b>	<b>\$ 580,499</b>	<b>\$ 7,031,176</b>	<b>\$ 19,078,028</b>
<b>Liabilities and fund balances</b>							
<b>Liabilities</b>							
Customer deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,000	\$ 9,000
Vouchers payable	269,558	19,031	51,997	3,707	-	336,707	681,000
Due to other governmental units	737	-	-	-	-	220,042	220,779
Due to other funds	41,201	9,652	-	-	-	36,502	87,355
Deferred revenue	478,522	-	-	731,054	329,768	75,864	1,615,208
<b>Total liabilities</b>	<b>790,018</b>	<b>28,683</b>	<b>51,997</b>	<b>734,761</b>	<b>329,768</b>	<b>678,115</b>	<b>2,613,342</b>
<b>Fund balances</b>							
Reserved for debt service	-	-	-	-	-	372,350	372,350
Reserved for landfill escrow	-	-	-	-	-	643,247	643,247
Reserved for law enforcement	-	-	-	-	-	11,568	11,568
Unreserved							
Undesignated, reported in							
General fund	5,446,185	-	-	-	-	-	5,446,185
Special revenue funds	-	2,239,225	2,047,566	124,052	250,731	4,962,997	9,624,571
Capital projects	-	-	-	-	-	362,899	362,899
Designated	3,866	-	-	-	-	-	3,866
<b>Total fund balances</b>	<b>5,450,051</b>	<b>2,239,225</b>	<b>2,047,566</b>	<b>124,052</b>	<b>250,731</b>	<b>6,353,061</b>	<b>16,464,686</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,240,069</b>	<b>\$ 2,267,908</b>	<b>\$ 2,099,563</b>	<b>\$ 858,813</b>	<b>\$ 580,499</b>	<b>\$ 7,031,176</b>	
Amounts reported for governmental activities in the statement of net assets are different because:							
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.							17,095,306
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.							(2,607,385)
Accrued interest payable is not due in the current period and, therefore, is not reported in the funds.							(6,138)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.							137,061
<b>Net assets of governmental activities</b>							<b>\$ 31,083,530</b>

See accompanying notes

Franklin County, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended September 30, 2006

	General Fund	Fines and Forfeitures	Local Option Gas Tax	Affordable Housing	Economic Development CDBG	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>							
Taxes	\$ 7,120,244	\$ 5,981,332	\$ 308,112	\$ -	\$ -	\$ 716,068	\$ 14,125,756
Licenses and permits	319,217	-	-	-	-	-	319,217
Intergovernmental	2,424,812	-	1,534,103	579,462	-	3,774,020	8,312,397
Fines and forfeitures	-	30,299	-	-	-	12,303	42,602
Charges for services	387,624	552,210	-	-	-	925,808	1,865,642
Investment earnings and other	719,557	2,567	35,900	27,535	11,234	643,553	1,440,346
<b>Total revenues</b>	<b>10,971,454</b>	<b>6,566,408</b>	<b>1,878,115</b>	<b>606,997</b>	<b>11,234</b>	<b>6,071,752</b>	<b>26,105,960</b>
<b>Expenditures</b>							
Current operating							
General government	3,626,412	-	-	-	-	-	3,626,412
Public safety	5,632,228	-	-	-	-	593,423	6,225,651
Physical environment	888,000	-	-	-	-	18,205	906,205
Transportation	-	-	1,923,010	-	-	1,727,355	3,650,365
Economic environment	221,192	-	-	630,810	-	-	852,002
Human services	836,522	-	-	-	-	214,450	1,050,972
Culture and recreation	293,014	-	-	-	-	666,548	959,562
Court related	-	772,303	-	-	-	447,134	1,219,437
Capital outlay	1,480,415	23,212	102,294	-	-	694,733	2,300,654
Debt service	189,431	-	-	-	-	124,000	313,431
<b>Total expenditures</b>	<b>13,167,214</b>	<b>795,515</b>	<b>2,025,304</b>	<b>630,810</b>	<b>-</b>	<b>4,485,848</b>	<b>21,104,691</b>
<b>Excess of revenues (under) over expenditures</b>	<b>(2,195,760)</b>	<b>5,770,893</b>	<b>(147,189)</b>	<b>(23,813)</b>	<b>11,234</b>	<b>1,585,904</b>	<b>5,001,269</b>
<b>Other financing sources (uses)</b>							
Operating transfers in	5,626,678	-	2,013,383	-	-	826,419	8,466,480
Operating transfers out	(3,626,204)	(5,275,653)	(1,000,000)	-	-	(351,025)	(10,252,882)
Reversion to State of Florida	-	-	-	-	-	(218,526)	(218,526)
<b>Total other financing sources (uses)</b>	<b>2,000,474</b>	<b>(5,275,653)</b>	<b>1,013,383</b>	<b>-</b>	<b>-</b>	<b>256,868</b>	<b>(2,004,928)</b>
<b>Net change in fund balances</b>	<b>(195,286)</b>	<b>495,240</b>	<b>866,194</b>	<b>(23,813)</b>	<b>11,234</b>	<b>1,842,772</b>	<b>2,996,341</b>
<b>Fund balances - beginning</b>	<b>5,645,337</b>	<b>1,743,985</b>	<b>1,181,372</b>	<b>147,865</b>	<b>239,497</b>	<b>4,510,289</b>	<b>13,468,345</b>
<b>Fund balances - ending</b>	<b>\$ 5,450,051</b>	<b>\$ 2,239,225</b>	<b>\$ 2,047,566</b>	<b>\$ 124,052</b>	<b>\$ 250,731</b>	<b>\$ 6,353,061</b>	<b>\$ 16,464,686</b>

See accompanying notes

Franklin County, Florida  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
 Fund Balances of Governmental Funds to the Statement of Activities  
 Year Ended September 30, 2006

Amounts reported for governmental activities in the statement of activities (page 15) are different because:

Net change in fund balances - total governmental funds (page 17)	\$ 2,996,341
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of activities.	2,296,056
Depreciation expense on governmental capital assets included in the governmental activities in the statement of activities.	(1,611,364)
Repayment of long-term debt is reported as an expenditure in governmental funds but as a reduction of long-term liabilities in the statement of net assets.	273,551
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.	316,021
<hr/>	
Change in net assets of governmental activities (page 15)	\$ 4,270,605
<hr/>	

Franklin County, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - General Fund  
Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 7,419,731	\$ 7,419,731	\$ 7,120,244	\$ (299,487)
Licenses and permits	359,000	359,000	319,217	(39,783)
Intergovernmental	2,053,855	2,278,170	2,424,812	146,642
Charges for services	277,461	324,461	387,624	63,163
Miscellaneous revenues	368,190	517,066	719,557	202,491
<b>Total revenues</b>	<b>10,478,237</b>	<b>10,898,428</b>	<b>10,971,454</b>	<b>73,026</b>
<b>Expenditures</b>				
Current				
General government	4,041,180	4,025,660	3,626,412	399,248
Public safety	5,841,566	5,874,412	5,632,228	242,184
Physical environment	995,448	995,942	888,000	107,942
Economic environment	255,086	221,583	221,192	391
Human services	833,734	1,040,194	836,522	203,672
Culture and recreation	243,590	267,187	293,014	(25,827)
Capital outlay	1,497,599	1,528,039	1,480,415	47,624
Debt service	233,501	233,501	189,431	44,070
<b>Total expenditures</b>	<b>13,941,704</b>	<b>14,186,518</b>	<b>13,167,214</b>	<b>1,019,304</b>
<b>Excess of revenues (under) over expenditures</b>	<b>(3,463,467)</b>	<b>(3,288,090)</b>	<b>(2,195,760)</b>	<b>1,092,330</b>
<b>Other financing sources (uses)</b>				
Operating transfers in	5,518,103	5,180,814	5,626,678	445,864
Operating transfers out	(2,899,212)	(3,516,792)	(3,626,204)	(109,412)
<b>Total other financing sources (uses)</b>	<b>2,618,891</b>	<b>1,664,022</b>	<b>2,000,474</b>	<b>336,452</b>
<b>Net change in fund balances</b>	<b>(844,576)</b>	<b>(1,624,068)</b>	<b>(195,286)</b>	<b>1,428,782</b>
<b>Fund balances, beginning</b>	<b>5,645,337</b>	<b>5,645,337</b>	<b>5,645,337</b>	<b>-</b>
<b>Fund balances, ending</b>	<b>\$ 4,800,761</b>	<b>\$ 4,021,269</b>	<b>\$ 5,450,051</b>	<b>\$ 1,428,782</b>

See accompanying notes

Franklin County, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Fines and Forfeitures  
Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 6,238,604	\$ 6,238,604	\$ 5,981,332	\$ (257,272)
Charges for services	438,652	438,652	552,210	113,558
Fines and forfeitures	28,500	28,500	30,299	1,799
Miscellaneous revenues	3,500	3,500	2,567	(933)
Total revenues	6,709,256	6,709,256	6,566,408	(142,848)
<b>Expenditures</b>				
Current				
Court related	1,404,285	1,368,911	772,303	596,608
Capital outlay	330,569	127,931	23,212	104,719
Total expenditures	1,734,854	1,496,842	795,515	701,327
<b>Excess of revenues over expenditures</b>	4,974,402	5,212,414	5,770,893	558,479
<b>Other financing sources (uses)</b>				
Operating transfers out	(5,013,938)	(5,289,107)	(5,275,653)	13,454
Total other financing sources (uses)	(5,013,938)	(5,289,107)	(5,275,653)	13,454
<b>Net change in fund balances</b>	(39,536)	(76,693)	495,240	571,933
<b>Fund balances - beginning</b>	1,743,985	1,743,985	1,743,985	-
<b>Fund balances - ending</b>	\$ 1,704,449	\$ 1,667,292	\$ 2,239,225	\$ 571,933

Franklin County, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Local Option Gas Tax  
Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 289,961	\$ 289,961	\$ 308,112	\$ 18,151
Intergovernmental	2,263,311	2,263,311	1,534,103	(729,208)
Miscellaneous revenues	10,500	10,500	35,900	25,400
<b>Total revenues</b>	<b>2,563,772</b>	<b>2,563,772</b>	<b>1,878,115</b>	<b>(685,657)</b>
<b>Expenditures</b>				
Current				
Transportation	332,588	332,588	1,923,010	(1,590,422)
Capital outlay	5,041,551	4,041,551	102,294	3,939,257
<b>Total expenditures</b>	<b>5,374,139</b>	<b>4,374,139</b>	<b>2,025,304</b>	<b>2,348,835</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(2,810,367)</b>	<b>(1,810,367)</b>	<b>(147,189)</b>	<b>1,663,178</b>
<b>Other financing sources (uses)</b>				
Operating transfers in	2,013,383	2,013,383	2,013,383	-
Operating transfers out	-	(1,000,000)	(1,000,000)	-
<b>Total other financing sources (uses)</b>	<b>2,013,383</b>	<b>1,013,383</b>	<b>1,013,383</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(796,984)</b>	<b>(796,984)</b>	<b>866,194</b>	<b>1,663,178</b>
<b>Fund balances - beginning</b>	<b>1,181,372</b>	<b>1,181,372</b>	<b>1,181,372</b>	<b>-</b>
<b>Fund balances - ending</b>	<b>\$ 384,388</b>	<b>\$ 384,388</b>	<b>\$ 2,047,566</b>	<b>\$ 1,663,178</b>

See accompanying notes

Franklin County, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Affordable Housing Fund  
Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 350,000	\$ 700,000	\$ 579,462	\$ (120,538)
Miscellaneous revenues	11,800	11,800	27,535	15,735
<b>Total revenues</b>	<b>361,800</b>	<b>711,800</b>	<b>606,997</b>	<b>(104,803)</b>
<b>Expenditures</b>				
Current				
Economic environment	569,501	919,501	630,810	288,691
<b>Total expenditures</b>	<b>569,501</b>	<b>919,501</b>	<b>630,810</b>	<b>288,691</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(207,701)</b>	<b>(207,701)</b>	<b>(23,813)</b>	<b>183,888</b>
<b>Fund balances - beginning</b>	<b>147,865</b>	<b>147,865</b>	<b>147,865</b>	<b>-</b>
<b>Fund balances - ending</b>	<b>\$ (59,836)</b>	<b>\$ (59,836)</b>	<b>\$ 124,052</b>	<b>\$ 183,888</b>

Franklin County, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Economic Development Fund - CDBG  
Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Miscellaneous revenues	\$ 7,600	\$ 7,600	\$ 11,234	\$ 3,634
Total revenues	7,600	7,600	11,234	3,634
<b>Expenditures</b>				
Total expenditures	-	-	-	-
<b>Excess of revenues over expenditures</b>	7,600	7,600	11,234	3,634
<b>Fund balances - beginning</b>	239,497	239,497	239,497	-
<b>Fund balances - ending</b>	\$ 247,097	\$ 247,097	\$ 250,731	\$ 3,634

Franklin County, Florida  
Statement of Net Assets  
Proprietary Funds  
September 30, 2006

**Business-type Activities - Enterprise Funds**

	<b>Hospital</b>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 138,987
Equity in pooled cash	60,755
Accounts receivable (net)	2,733,366
Inventory	71,521
Prepaid expenses	18,600
Total current assets	3,023,229
Noncurrent assets	
Capital assets	
Land	
Buildings	211,371
Machinery and equipment	292,626
Less allowance for depreciation	(34,631)
Total noncurrent assets	469,366
Total assets	3,492,595
<b>Liabilities</b>	
Current liabilities	
Accounts payable and accrued expenses	497,357
Deferred revenue	12,970
Accrued compensated absences	13,073
Leases payable	13,739
Total current liabilities	537,139
Noncurrent liabilities	
Accrued compensated absences	74,077
Leases payable	41,367
Notes payable	600,000
Total noncurrent liabilities	715,444
Total liabilities	1,252,583
Net assets	
Invested in capital assets, net of related debt	414,260
Unrestricted	1,825,752
Total net assets	\$ 2,240,012

See accompanying notes

Franklin County, Florida  
Statement of Revenues, Expenses, and Changes in Net Assets  
Proprietary Funds  
Year Ended September 30, 2006

**Business-type Activities - Enterprise Funds**

	<b>Hospital</b>
<b>Operating revenues</b>	
Charges for services	\$ 3,392,834
Total revenues	3,392,834
<b>Operating expenses</b>	
Salaries and wages	2,024,461
Payroll taxes	149,719
Advertising	491
Clinical supplies	394,621
Communications	29,889
Contractual services	31,277
Depreciation	34,632
Insurance	79,234
License and permits	7,067
Minor equipment	136,598
Other current charges	52,960
Other patient related costs	50,220
Professional services	1,034,304
Repairs and maintenance	14,798
Supplies	23,887
Training and development	6,126
Travel	48,033
Utilities	71,613
Total operating expenses	4,189,930
Operating income (loss)	(797,096)
<b>Nonoperating revenues (expenses)</b>	
Grants and noncapital contributions	846,929
Capital contributions	407,614
Interest expense and amortization of fiscal costs	(3,837)
Total nonoperating revenues (expenses)	1,250,706
Income before transfers	453,610
Transfers in (out)	1,786,402
<b>Change in net assets</b>	<b>2,240,012</b>
<b>Net assets, beginning</b>	<b>-</b>
<b>Net assets, ending</b>	<b>\$ 2,240,012</b>

Franklin County, Florida  
Statement of Cash Flows  
Proprietary Funds  
Year Ended September 30, 2006

**Business-type Activities - Enterprise Funds**

	<b>Hospital</b>
<b>Cash flows from operating activities</b>	
Receipts from customers and others	\$ 659,468
Payments to suppliers	(1,723,602)
Payments to employees	(1,937,310)
<hr/>	
Net cash provided by (used in) operating activities	(3,001,444)
<hr/>	
<b>Cash flows from noncapital financing activities</b>	
Noncapital grants and contributions	859,899
Transfers from other funds	1,786,402
<hr/>	
Net cash provided by (used in) noncapital financing activities	2,646,301
<hr/>	
<b>Cash flows from capital and related financing activities</b>	
Capital grants and contributions	407,614
Acquisition of capital assets	(503,998)
Proceeds from long-term debt	660,009
Repayment of leases	(4,903)
Interest paid on long-term debt	(3,837)
<hr/>	
Net cash provided by (used in) capital and related financing activities	554,885
<hr/>	
<b>Increase in cash and cash equivalents</b>	199,742
<hr/>	
<b>Cash and cash equivalents, beginning</b>	-
<hr/>	
<b>Cash and cash equivalents, ending</b>	<b>\$ 199,742</b>
<hr/>	
Cash and cash equivalents displayed as:	
Cash and cash equivalents	\$ 138,987
Equity in pooled cash	60,755
<hr/>	
<b>Total cash and cash equivalents</b>	<b>\$ 199,742</b>

(Continued)

Franklin County, Florida  
Statement of Cash Flows  
Proprietary Funds (Continued)  
Year Ended September 30, 2006

**Business-type Activities - Enterprise Funds**

---

	<b>Hospital</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>	
Operating income (loss)	\$ (797,096)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	34,632
(Increase) decrease in assets	
Accounts receivables, net	(2,733,366)
Inventory	(71,521)
Prepaid expenses	(18,600)
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	497,357
Compensated absences	87,150
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (3,001,444)</b>

Franklin County, Florida  
Statement of Fiduciary Net Assets - Fiduciary Funds  
September 30, 2006

	<b>Agency Funds</b>
<hr/>	
<b>Assets</b>	
Cash	\$ 514,459
<hr/>	
<b>Liabilities</b>	
Due to individuals	\$ 165,002
Due to other funds	45,068
Due to other governments	304,389
<hr/>	
Total liabilities	\$ 514,459
<hr/>	

Notes to Financial Statements

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

The financial statements of Franklin County, Florida (the County) have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. In accordance with GASB Statement 20, pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 are not applied in the preparation of the financial statements of the enterprise fund types. 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 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 (the Board), which derives its authority by 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 component units of the County, and 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 Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, the financial reporting entity consists of the primary government, and its component units, for which the primary government is considered to be financially accountable. Also included are other entities whose exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Each potential component unit is individually evaluated using specific criteria outlined in GASB Statement No. 14 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 other entities that required inclusion as a component unit within the County's financial statements. There were no entities for which there were positive responses to specific criteria used for establishing oversight responsibility that were excluded from the County's financial statements.

Notes to Financial Statements

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

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

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

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

***Government-wide Financial Statements***

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including its blended component units). 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 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 is the proprietary fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement 33 – Accounting and Financial Reporting for Nonexchange Transactions.

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

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

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

***Fund Financial Statements***

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

Notes to Financial Statements

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

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

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

***Governmental Funds***

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

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources." Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

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

***Proprietary Funds***

The County's enterprise funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the

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

fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets. The Board applies all GASB pronouncements as well as all FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins, issued on or before November 30, 1989, which do not contradict GASB pronouncements.

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

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

***Basis of Presentation***

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

***Governmental Major Funds***

- General fund – The general fund is the County’s primary operating fund. It accounts for all resources traditionally associated with governments except those required to be accounted for in another fund.
- Fines and forfeitures – This fund accounts for the fines and ad valorem taxes earmarked for law enforcement and corrections.
- Local option gas tax – This fund accounts for the County’s local option gas tax revenue earmarked for road construction and maintenance.
- Affordable housing – This fund accounts for the activity in the County’s State Housing Initiative Partnership Program (SHIP).
- Economic development - CDBG – This fund accounts for the Franklin County Revolving Loan Program that was funded by a community development block grant.

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

***Proprietary Major Funds***

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

***Other Fund Types***

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

***Noncurrent Governmental Assets/Liabilities***

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

***Budgets***

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

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

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

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

Budgetary data presented in the accompanying basic financial statements in the final budgeted amounts column represents the final budgetary data. In this column the effects of budget amendments have been applied to original budgetary data.

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

***Investments***

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

***External Investment Pools***

Local Government Surplus Funds Trust Fund (pool) – The County maintains deposits in the Local Government Surplus Funds Trust Fund. This external investment pool, which is administered by the State of Florida State Board of Administration (SBA), has adopted operating procedures consistent with the requirements for a “2a-7 like” pool and the fair value of the position in the pool is equal to the value of the pool shares. Pursuant to the provisions of GASB Statement 31, such investments are stated at cost.

***Derivatives and Similar Debt and Investment Items***

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

***Cash and Cash Equivalents***

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

***Restricted and Unrestricted Resources***

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

***Accounts Receivable***

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

***Due from (to) Other Funds***

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

***Inventories***

Inventory in the proprietary fund is valued at the lower of cost (first-in, first-out) or market. Inventory items of materials and supplies, which are not significant in amount, are considered expenditures when purchased.

Notes to Financial Statements

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

***Capital Assets***

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. For assets constructed with governmental fund resources, interest during construction is not capitalized.

***Deferred Revenues***

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

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

***Compensated Absences***

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

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

***Property Taxes***

Under Florida law, the assessment of all properties and the collection of all County, Municipal and School Board property taxes are consolidated in the offices of the Property Appraiser and Tax Collector. The laws of the State regulating tax assessment are also designed to assure a consistent property valuation method statewide. Florida Statutes permit counties to levy property taxes at a rate of up to 10 mills for general operations. The millage rate assessed by the County for the year ended September 30, 2006 was 4.0504 mills.

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

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

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

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

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

***Reserves and Designations of Fund Equity***

Reserves indicate that portion of fund balance or net assets that is not available for appropriation or which is legally segregated for a specific future use. The description of each reserve indicates the purpose for which each was intended. Designated portions of fund equity represent management's tentative future spending plans. Such designations should be clearly distinguished from reserves, since managerial plans are subject to change and may never be legally authorized or result in actual expenditures.

***Use of Estimates***

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

***Use of Restricted Assets***

It is generally the practice of the County to utilize restricted net assets before unrestricted net assets when possible.

***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.

## Notes to 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 assets:

The governmental fund balance sheet includes a reconciliation between *fund balances - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$2,607,385 difference are as follows:

Bonds payable	\$ 338,000
Capital leases payable	353,788
Compensated absences	629,520
Landfill closing costs	1,286,077
<hr/>	
Net adjustment to reduce <i>fund balances - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$ 2,607,385

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 \$17,095,306 difference are as follows:

Cost of capital assets	\$ 29,407,196
Less: accumulated depreciation	(12,311,890)
<hr/>	
Net adjustment to increase <i>fund balances - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$ 17,095,306

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 \$137,061 difference are as follows:

Deferred revenues	\$ 459,150
Notes receivable	(322,089)
<hr/>	
Net adjustment to increase <i>fund balances - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$ 137,061

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

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

## Notes to Financial Statements

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

The details of this \$273,551 difference are as follows:

Principal repayments:		
Bonds	\$	102,000
Capital leases		171,551
<hr/>		
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	\$	273,551
<hr/>		

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 \$316,021 difference are as follows:

Compensated absences	\$	(319,486)
Landfill costs		635,507
<hr/>		
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	\$	316,021
<hr/>		

**NOTE 3 – DEPOSITS AND INVESTMENTS*****Deposits Policies***

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

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

***Investments Policies***

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

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

Notes to Financial Statements

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

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 state-certified 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.

***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, 2006, the County did not hold any investments that were considered to be an interest rate risk.

***Custodial Risks***

At September 30, 2006, the County did not hold any deposits or investments that were considered to be a custodial risk.

***Concentration of Credit Risk***

At September 30, 2006, the County did not hold any investments that were considered to be a concentration of credit risk.

## Notes to Financial Statements

**NOTE 4 – ACCOUNTS RECEIVABLE**

Accounts receivables at September 30, 2006, consisted of the following:

<b>Governmental Activities - Accounts Receivable</b>	<b>General Fund</b>	<b>Fine and Forfeiture</b>	<b>Affordable Housing</b>	<b>Economic Development</b>	<b>Other Govern- Mental Funds</b>	<b>Total</b>
Accounts receivable	\$ 9,488	\$ 14,979	\$ -	\$ -	\$ 31,412	\$ 55,879
Notes receivable (Allowance for uncollectibles)	-	-	-	329,768	-	329,768
	-	-	-	(329,768)	-	(329,768)
<b>Total receivables</b>	<b>\$ 9,488</b>	<b>\$ 14,979</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 31,412</b>	<b>\$ 55,879</b>

<b>Business-type Activities - Accounts Receivable</b>	<b>Hospital Fund</b>
Accounts receivable (Allowance for uncollectibles)	\$ 6,028,366 (3,295,000)
<b>Total receivables</b>	<b>\$ 2,733,366</b>

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

All interfund balances are due to timing differences and expected to be repaid during the fiscal year ending September 30, 2007.

Internal balances at September 30, 2006, consisted of the following:

	<b>Interfund Receivables</b>	<b>Interfund Payables</b>
General fund	\$ 85,872	\$ 41,201
Special revenue funds		
Fines and forfeitures	-	9,652
Fire protection	-	22,443
Affordable housing	16,034	-
Clerk's fine and forfeiture	22,082	14,059
Clerk's modernization trust	8,435	-
<b>Total special revenue funds</b>	<b>46,551</b>	<b>46,154</b>
Agency funds	-	45,068
<b>Total</b>	<b>\$ 132,423</b>	<b>\$ 132,423</b>

## Notes to Financial Statements

**NOTE 5 – INTERFUND RECEIVABLES, 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.

<b>Fund Transferred From</b>	<b>Fund Transferred to</b>	<b>Amount</b>	<b>Purpose</b>
Fine and forfeiture	General fund	\$ 5,275,653	To fund the Sheriff budget.
General fund	Local option gas tax	2,013,383	Transfer of general revenue for road construction.
General fund	Nonmajor governmental funds	826,419	Purchase of equipment, operation of public library, and other allowable expenditures.
Nonmajor governmental funds	General fund	351,025	To record the budgeted transfer from the landfill fund.
Local option gas tax	Hospital fund	1,000,000	Transfer of operating cash
General fund	Hospital fund	786,402	Transfer equipment
		\$	
		10,252,882	

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the governmental activities for the year ended September 30, 2006, was as follows:

	<b>September 30, 2005</b>	<b>Increase</b>	<b>Decrease</b>	<b>September 30, 2006</b>
<b>Capital assets not being depreciated</b>				
Land	\$ 1,088,738	\$ 10,000	\$ -	\$ 1,098,738
Construction in progress	-	508,697	-	508,697
<b>Total capital assets not being depreciated</b>	<b>1,088,738</b>	<b>518,697</b>	<b>-</b>	<b>1,607,435</b>
<b>Capital assets being depreciated</b>				
Buildings	11,359,482	-	(1,358,334)	10,001,148
Improvements other than buildings	2,663,579	-	-	2,663,579
Machinery and equipment	10,160,436	1,564,047	(667,792)	11,056,691
Infrastructure	3,817,216	261,127	-	4,078,343
<b>Total capital assets being depreciated</b>	<b>28,000,713</b>	<b>1,825,174</b>	<b>(2,026,126)</b>	<b>27,799,761</b>

Franklin County, Florida

Notes to Financial Statements

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

	September 30, 2005	Increase	Decrease	September 30, 2006
Accumulated depreciation				
		\$	\$	
Buildings	\$ 3,983,354	199,646	(1,146,962)	\$ 3,036,038
Improvements other than buildings	1,470,967	97,013	-	1,567,980
Machinery and equipment	6,931,591	1,160,929	(645,742)	7,446,778
Infrastructure	107,318	153,776	-	261,094
<b>Total accumulated depreciation</b>	<b>12,493,230</b>	<b>1,611,364</b>	<b>(1,792,704)</b>	<b>12,311,890</b>
Capital assets being depreciated - net	15,507,483	213,810	(233,422)	15,487,871
Total governmental activities' capital assets (net of accumulated depreciation)	\$ 16,596,221	\$ 732,507	\$ (233,422)	\$ 17,095,306

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

General government	\$ 202,470
Public safety	435,804
Physical environment	340,043
Transportation	470,678
Human services	94,523
Culture and recreation	67,846

**Total depreciation expense - governmental activities** **\$ 1,611,364**

Capital asset activity for the business-type activities for the year ended September 30, 2006, was as follows:

	September 30, 2005	Increase	Decrease	September 30, 2006
Capital assets being depreciated				
Buildings	\$ -	\$ 211,371	\$ -	\$ 211,371
Machinery and equipment	-	292,626	-	292,626
<b>Total capital assets being depreciated</b>	<b>-</b>	<b>503,997</b>	<b>-</b>	<b>503,997</b>
Less accumulated depreciation				
Buildings	-	4,595	-	4,595
Machinery and equipment	-	30,036	-	30,036
<b>Total accumulated depreciation</b>	<b>-</b>	<b>34,631</b>	<b>-</b>	<b>34,631</b>
Capital assets being depreciated - net	-	469,366	-	469,366
Total governmental activities' capital assets (net of accumulated depreciation)	\$ -	\$ 469,366	\$ -	\$ 469,366

Franklin County, Florida

Notes to Financial Statements

**NOTE 7 – LONG-TERM DEBT**

Long-term debt of the County’s governmental activities for the year ended September 30, 2006, was as follows:

	Balance September 30, 2005	Additions	Deductions	Balance September 30, 2006	Due Within One Year
Jail construction – capital improvement revenue bond, dated November 1989	\$ 440,000	\$ -	\$ 102,000	\$ 338,000	\$ 107,000
Installment purchase agreement for landfill equipment, payable in annual payments of \$185,237 including interest at 5.2%	520,856	-	167,997	352,859	173,557
Installment purchase agreement for office equipment, payable in quarterly payments of \$945 including interest at 7%	4,483	-	3,554	929	929
Long-term landfill closure and postclosure liability, see note 11	1,921,584	-	635,507	1,286,077	-
Liability for compensated absences	495,641	133,879	-	629,520	133,879
<b>Total</b>	<b>\$ 3,382,564</b>	<b>\$ 133,879</b>	<b>\$ 909,058</b>	<b>\$ 2,607,385</b>	<b>\$ 415,365</b>

USDA Rural Development provided \$1,500,000 in Capital Improvement Revenue Bonds dated November 27, 1989, to finance a portion of the construction of the County jail facility. These bonds are repayable annually each September 1, over twenty years with interest payable annually at 5%, secured by a pledge of the race track and Jai Alai Fronton funds accruing annually to the Board.

The revenue bond indenture requires a bond principal and interest sinking fund to be maintained for the next year’s debt service payment. At September 30, 2006, the reserve account cash balance is \$243,677.

Franklin County, Florida

Notes to Financial Statements

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

***Maturities of Long-Term Debt***

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

<b>September 30,</b>	<b>Jail Construction – Capital Improvement Revenue Bond</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	\$ 107,000	\$ 16,900	\$ 123,900
2008	113,000	11,550	124,550
2009	118,000	5,900	123,900
<b>Total bonds</b>	<b>\$ 338,000</b>	<b>\$ 34,350</b>	<b>\$ 372,350</b>

<b>September 30,</b>	<b>Note Payable/Installment Purchase</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	\$ 174,486	\$ 11,680	\$ 186,166
2008	179,302	5,934	185,236
<b>Total note payable/installment purchase</b>	<b>\$ 353,788</b>	<b>\$ 17,614</b>	<b>\$ 371,402</b>

Long-term debt of the County's business-type activities for the year ended September 30, 2006, was as follows:

	<b>Balance September 30, 2005</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance September 30, 2006</b>	<b>Due Within One Year</b>
Office of Tourism, Trade, and Economic Development - Loan #1 payable in quarterly payments of \$11,111 plus interest at 3%. Interest payments begin 6/1/07. Principal payments begin 6/1/08.	\$ -	\$ 300,000	\$ -	\$ 300,000	\$ -
Office of Tourism, Trade, and Economic Development - Loan #2 payable in quarterly payments of \$11,111 plus interest at 3%. Interest payments begin 9/1/07. Principal payments begin 9/1/08.	-	300,000	-	\$ 300,000	-
Popular Leasing - Sleep scanner lease payable in monthly payments of \$715.72 including interest at 9.25%	-	22,767	(3,662)	19,105	7,118

Franklin County, Florida

Notes to Financial Statements

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

	Balance September 30, 2005	Additions	Deductions	Balance September 30, 2006	Due Within One Year
GE - copier lease payable in monthly payments of \$744.25 including interest at 7%	\$ -	\$ 37,242	\$ (1,240)	\$ 36,002	\$ 6,621
Liability for compensated Absences	-	87,150	-	87,150	13,073
<b>Total</b>	<b>\$ -</b>	<b>\$ 747,159</b>	<b>\$ (4,902)</b>	<b>\$ 742,257</b>	<b>\$ 26,812</b>

***Maturities of Long-Term Debt***

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

September 30,	OTTED Loan #1			OTTED Loan #2		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ -	\$ 9,000	\$ 9,000	\$ -	\$ 4,500	\$ 4,500
2008	22,222	13,417	35,639	11,111	15,750	26,861
2009	44,444	7,833	52,277	44,444	8,167	52,611
2010	44,444	6,500	50,944	44,444	6,833	51,277
2011	44,444	5,167	49,611	44,444	5,500	49,944
2012 - 2015	144,446	7,583	152,029	155,557	8,750	164,307
<b>Total notes payable</b>	<b>\$ 300,000</b>	<b>\$49,500</b>	<b>\$349,500</b>	<b>\$ 300,000</b>	<b>\$ 49,500</b>	<b>\$349,500</b>

September 30,	Sleep scanner			Copier		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 7,118	\$ 1,470	\$ 8,588	\$ 6,621	2,310	\$ 8,931
2008	7,805	783	8,588	7,099	1,832	8,931
2009	4,182	114	4,296	7,612	1,319	8,931
2010	-	-	-	8,163	768	8,931
2011	-	-	-	6,507	191	6,698
<b>Total capital leases</b>	<b>\$ 19,105</b>	<b>\$ 2,367</b>	<b>\$ 21,472</b>	<b>\$ 36,002</b>	<b>6,420</b>	<b>\$ 42,422</b>

## Notes to Financial Statements

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

The County participates in the Florida Retirement System (System), a cost sharing, multiple-employer defined pension plan administered by the State of Florida Department of Administration, Division of Retirement. The System provides retirement, disability benefits, and death benefits to plan members or their designated beneficiaries. Chapter 121, Florida Statutes, established the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. Chapter 121 of the Florida Statutes assigns the authority to establish and amend benefits provisions to the Florida Retirement System. However, Article X, Section 14 of the State of Florida Constitution and Part VII, Chapter 112 of the Florida Statutes require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State of Florida Division of Retirement, 1317 Winewood Boulevard, Building 8, Tallahassee, Florida 32399-6570 or by calling 850-414-6346.

**Funding Policy**

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

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

	<b>October 1, 2005 Through June 30, 2006</b>	<b>July 1, 2006 Through September 30, 2006</b>
Regular employees	7.83%	9.85%
Senior management	10.45%	13.12%
Elected County officials	15.23%	16.53%
Special risk employees	18.53%	20.92%
DROP plan participants	9.33%	10.91%

## Notes to Financial Statements

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

Contribution rates equal actuarial determined rates. During the year ended September 30, 2006, total payroll for all employees and the retirement contributions for all employees covered by FRS were as follows:

	<b>Payroll Expense</b>	<b>Retirement Contributions</b>
Board of County Commissioners	\$ 2,023,076	\$ 183,908
Clerk of the Circuit Court	617,547	57,171
Sheriff	3,049,677	494,635
Property Appraiser	446,386	42,482
Tax Collector	363,397	32,273
Supervisor of Elections	161,341	14,905
<b>Total</b>	<b>\$ 6,661,424</b>	<b>\$ 825,374</b>

Retirement contributions represent 12.4% of the County's total covered payroll.

**NOTE 9 – FUND EQUITY****Reserved Fund Equity**

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

<b>Funds</b>	<b>Purpose</b>	<b>Amount</b>
Board of County Commissioners		
Debt service	Repayment of long-term debt	\$ 372,350
Special revenue	Landfill escrow	643,247
Sheriff		
Special revenue	Law enforcement	11,568
<b>Total</b>		<b>\$ 1,027,165</b>

**Designated Fund Equity**

Designations of equity are used to show the amounts within unreserved equity which are intended to be used for specific purposes, but are not legally restricted. Designated equity is intended for the following purposes:

## Notes to Financial Statements

**NOTE 9 – FUND EQUITY (CONTINUED)**

Funds	Purpose	Amount
Property Appraiser General	Property Appraiser's mapping system	\$ 3,866

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

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

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

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

**NOTE 10 – RISK MANAGEMENT**

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.

Notes to Financial Statements

**NOTE 11 – 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 \$643,247 at September 30, 2006. Receipt of waste at the County's Class I central landfill has been indefinitely suspended and the County contracts for waste to be transported out of the County. In the event operations were to resume at the Class I landfill, there are about two years remaining capacity. Currently, the County also operates a Class III landfill.

State and federal laws and regulations require the County to place a final cover on its landfill sites when it stops accepting waste, and to perform certain maintenance and monitoring functions at the site for approximately thirty years after closure. The \$1,286,077 amount reported as landfills closure and postclosure care liability at September 30, 2006 (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 4% of the Class III (expansion) landfill estimated capacity. Total estimated costs are projected at \$379,000 for closure and \$2,243,700 for postclosure care at current prices. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The Board follows GASB Statement No. 18 entitled *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*.

**NOTE 12 – 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 building permits to them. 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 13 – LEASE OF FRANKLIN COUNTY AIRPORT**

The County leases out the Franklin County Airport under a twenty-year lease expiring in the year 2012, with up to four renewal options available aggregating an additional twenty-five years. The lessee paid the County the negotiated sum of \$1,500 monthly for hangar rental and parking space based on the terms of the lease for the year ended September 30, 2006. The County also receives five cents per gallon for all aviation fuel sold at the airport and 5% of the net monthly rental for the area utilized for T-hangars.

**NOTE 14 – LOCAL OPTION GAS TAX**

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

## Combining Financial Statements

Franklin County, Florida  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2006

	Special Revenue					
	County Road and Bridge	911 Trust	Landfill	Sheriff's Special Revenue Funds	Pier	Fire Protection
<b>Assets</b>						
Cash and cash equivalents	\$ 46,920	\$ 141,260	\$ 77,766	\$ 63,724	\$ 1,554,771	\$ 68,525
Equity in pooled cash	284,337	-	999,668	-	-	-
Due from other funds	-	-	-	-	-	-
Due from other governmental units	204,582	20,000	-	13,268	-	-
Accounts receivable (net)	9,411	4,247	10,805	-	-	3,335
<b>Total assets</b>	<b>\$ 545,250</b>	<b>\$ 165,507</b>	<b>\$ 1,088,239</b>	<b>\$ 76,992</b>	<b>\$ 1,554,771</b>	<b>\$ 71,860</b>
<b>Liabilities and fund balances</b>						
<b>Liabilities</b>						
Customer deposits	\$ -	\$ -	\$ 9,000	\$ -	\$ -	\$ -
Vouchers payable	46,055	2,335	-	-	-	47,901
Due to other governmental units	-	-	-	-	-	1,516
Due to other funds	-	-	-	-	-	22,443
Deferred revenue	-	73,346	-	-	-	-
<b>Total liabilities</b>	<b>46,055</b>	<b>75,681</b>	<b>9,000</b>	<b>-</b>	<b>-</b>	<b>71,860</b>
<b>Fund balances</b>						
Reserved for debt service	-	-	-	-	-	-
Reserved for landfill escrow	-	-	643,247	-	-	-
Reserved for law enforcement	-	-	-	11,568	-	-
Unreserved	499,195	89,826	435,992	65,424	1,554,771	-
<b>Total fund balances</b>	<b>499,195</b>	<b>89,826</b>	<b>1,079,239</b>	<b>76,992</b>	<b>1,554,771</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 545,250</b>	<b>\$ 165,507</b>	<b>\$ 1,088,239</b>	<b>\$ 76,992</b>	<b>\$ 1,554,771</b>	<b>\$ 71,860</b>

(Continued)

Franklin County, Florida  
Combining Balance Sheet  
Nonmajor Governmental Funds (Continued)  
September 30, 2006

	Special Revenue					
	Airport	Recycling	Bald Point Trust Fund	Library	Tourist Development	Emergency Medical Services
<b>Assets</b>						
Cash and cash equivalents	\$ 14,858	\$ 22,146	\$ 21,467	\$ 27,904	\$ 257,667	\$ 2,958
Equity in pooled cash	2,597	311,118	478,352	-	461,687	-
Due from other funds	-	-	-	-	-	-
Due from other governmental units	150,133	-	50,290	-	89,951	-
Accounts receivable (net)	2,387	-	-	-	-	-
<b>Total assets</b>	<b>\$ 169,975</b>	<b>\$ 333,264</b>	<b>\$ 550,109</b>	<b>\$ 27,904</b>	<b>\$ 809,305</b>	<b>\$ 2,958</b>
<b>Liabilities and fund balances</b>						
<b>Liabilities</b>						
Customer deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Vouchers payable	119,123	-	75,695	-	11,061	381
Due to other governmental units	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	2,518
<b>Total liabilities</b>	<b>119,123</b>	<b>-</b>	<b>75,695</b>	<b>-</b>	<b>11,061</b>	<b>2,899</b>
<b>Fund balances</b>						
Reserved for debt service	-	-	-	-	-	-
Reserved for landfill escrow	-	-	-	-	-	-
Reserved for law enforcement	-	-	-	-	-	-
Unreserved	50,852	333,264	474,414	27,904	798,244	59
<b>Total fund balances</b>	<b>50,852</b>	<b>333,264</b>	<b>474,414</b>	<b>27,904</b>	<b>798,244</b>	<b>59</b>
<b>Total liabilities and fund balances</b>	<b>\$ 169,975</b>	<b>\$ 333,264</b>	<b>\$ 550,109</b>	<b>\$ 27,904</b>	<b>\$ 809,305</b>	<b>\$ 2,958</b>

(Continued)

Franklin County, Florida  
Combining Balance Sheet  
Nonmajor Governmental Funds (Continued)  
September 30, 2006

	Special Revenue				
	Mosquito Control	Boating Improvement	Clerk Modernization Trust Fund	Clerk's Fine and Forfeitures	Law Enforcement Educational Trust
<b>Assets</b>					
Cash and cash equivalents	\$ 45,174	\$ 12,844	\$ 195,352	\$ 218,677	\$ 46,901
Equity in pooled cash	19,502	122,034	-	-	-
Due from other funds	-	-	8,435	22,082	-
Due from other governmental units	-	-	-	5,134	-
Accounts receivable (net)	-	859	-	-	367
<b>Total assets</b>	<b>\$ 64,676</b>	<b>\$ 135,737</b>	<b>\$ 203,787</b>	<b>\$ 245,893</b>	<b>\$ 47,268</b>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Customer deposits	\$ -	\$ -	\$ -	\$ -	\$ -
Vouchers payable	20,365	-	483	13,308	-
Due to other governmental units	-	-	-	218,526	-
Due to other funds	-	-	-	14,059	-
Deferred revenue	-	-	-	-	-
<b>Total liabilities</b>	<b>20,365</b>	<b>-</b>	<b>483</b>	<b>245,893</b>	<b>-</b>
<b>Fund balances</b>					
Reserved for debt service	-	-	-	-	-
Reserved for landfill escrow	-	-	-	-	-
Reserved for law enforcement	-	-	-	-	-
Unreserved	44,311	135,737	203,304	-	47,268
<b>Total fund balances</b>	<b>44,311</b>	<b>135,737</b>	<b>203,304</b>	<b>-</b>	<b>47,268</b>
<b>Total liabilities and fund balances</b>	<b>\$ 64,676</b>	<b>\$ 135,737</b>	<b>\$ 203,787</b>	<b>\$ 245,893</b>	<b>\$ 47,268</b>

(Continued)

Franklin County, Florida  
Combining Balance Sheet  
Nonmajor Governmental Funds (Continued)  
September 30, 2006

	Special Revenue			Capital Projects		Total Nonmajor Governmental Funds
	Neighborhood Revitalization CDBG	Hospital	Law Enforcement Trust	Debt Service Jail Bonds	Capital Projects	
<b>Assets</b>						
Cash and cash equivalents	\$ 9,560	\$ -	\$ 3,017	\$ 53,090	\$ 882	\$ 2,885,463
Equity in pooled cash	-	-	-	509,115	362,017	3,550,427
Due from other funds	-	-	-	-	-	30,517
Due from other governmental units	-	-	-	-	-	533,358
Accounts receivable (net)	-	-	-	-	-	31,411
<b>Total assets</b>	<b>\$ 9,560</b>	<b>\$ -</b>	<b>\$ 3,017</b>	<b>\$ 562,205</b>	<b>\$ 362,899</b>	<b>\$ 7,031,176</b>
<b>Liabilities and fund balances</b>						
<b>Liabilities</b>						
Customer deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,000
Vouchers payable	-	-	-	-	-	336,707
Due to other governmental units	-	-	-	-	-	220,042
Due to other funds	-	-	-	-	-	36,502
Deferred revenue	-	-	-	-	-	75,864
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>678,115</b>
<b>Fund balances</b>						
Reserved for debt service	-	-	-	372,350	-	372,350
Reserved for landfill escrow	-	-	-	-	-	643,247
Reserved for law enforcement	-	-	-	-	-	11,568
Unreserved	9,560	-	3,017	189,855	362,899	5,325,896
<b>Total fund balances</b>	<b>9,560</b>	<b>-</b>	<b>3,017</b>	<b>562,205</b>	<b>362,899</b>	<b>6,353,061</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,560</b>	<b>\$ -</b>	<b>\$ 3,017</b>	<b>\$ 562,205</b>	<b>\$ 362,899</b>	<b>\$ 7,031,176</b>

Franklin County, Florida  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended September 30, 2006

	Special Revenue					
	County Road and Bridge	911 Trust	Landfill	Sheriff's Special Revenue Funds	Pier	Fire Protection
<b>Revenues</b>						
Taxes	\$ 17,806	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,158,734	-	-	110,716	1,520,000	-
Fines and forfeitures	-	-	-	7,030	-	-
Charges for services	-	69,071	386,421	-	-	-
Investment earnings and other	43,551	608	37,837	131,094	34,771	245,784
<b>Total revenues</b>	<b>1,220,091</b>	<b>69,679</b>	<b>424,258</b>	<b>248,840</b>	<b>1,554,771</b>	<b>245,784</b>
<b>Expenditures</b>						
Current operating						
Public safety	-	61,055	-	263,728	-	245,784
Physical environment	-	-	18,205	-	-	-
Transportation	1,342,980	-	-	-	-	-
Human services	-	-	-	-	-	-
Culture/recreation	-	-	-	-	-	-
Court related	-	-	-	-	-	-
Capital outlay	440,783	-	-	41,675	-	-
Debt service	-	-	-	-	-	-
<b>Total expenditures</b>	<b>1,783,763</b>	<b>61,055</b>	<b>18,205</b>	<b>305,403</b>	<b>-</b>	<b>245,784</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(563,672)</b>	<b>8,624</b>	<b>406,053</b>	<b>(56,563)</b>	<b>1,554,771</b>	<b>-</b>
<b>Other financing sources (uses)</b>						
Operating transfers in	373,321	-	-	-	-	-
Operating transfers out	-	-	(304,000)	-	-	-
Reversion to State of Florida	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>373,321</b>	<b>-</b>	<b>(304,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(190,351)</b>	<b>8,624</b>	<b>102,053</b>	<b>(56,563)</b>	<b>1,554,771</b>	<b>-</b>
<b>Fund balances - beginning</b>	<b>689,546</b>	<b>81,202</b>	<b>977,186</b>	<b>133,555</b>	<b>-</b>	<b>-</b>
<b>Fund balances - ending</b>	<b>\$ 499,195</b>	<b>\$ 89,826</b>	<b>\$ 1,079,239</b>	<b>\$ 76,992</b>	<b>\$ 1,554,771</b>	<b>\$ -</b>

(Continued)

Franklin County, Florida  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds (Continued)  
Year Ended September 30, 2006

	Special Revenue					
	Airport	Recycling	Bald Point Trust Fund	Library	Tourist Development	Emergency Medical Services
<b>Revenues</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 698,262	\$ -
Intergovernmental	363,613	-	65,763	62,854	-	852
Fines and forfeitures	-	-	-	-	-	-
Charges for services	-	24,655	-	-	-	-
Investment earnings and other	29,178	14,063	25,151	11,305	23,900	5
<b>Total revenues</b>	<b>392,791</b>	<b>38,718</b>	<b>90,914</b>	<b>74,159</b>	<b>722,162</b>	<b>857</b>
<b>Expenditures</b>						
Current operating						
Public safety	-	-	-	-	-	852
Physical environment	-	-	-	-	-	-
Transportation	228,612	-	155,763	-	-	-
Human services	-	-	-	-	-	-
Culture/recreation	-	-	-	228,004	438,544	-
Court related	-	-	-	-	-	-
Capital outlay	158,376	-	-	26,236	-	-
Debt service	-	-	-	-	-	-
<b>Total expenditures</b>	<b>386,988</b>	<b>-</b>	<b>155,763</b>	<b>254,240</b>	<b>438,544</b>	<b>852</b>
<b>Excess of revenues over (under) expenditures</b>	<b>5,803</b>	<b>38,718</b>	<b>(64,849)</b>	<b>(180,081)</b>	<b>283,618</b>	<b>5</b>
<b>Other financing sources (uses)</b>						
Operating transfers in	-	-	-	194,955	-	-
Operating transfers out	-	-	-	-	(47,025)	-
Reversion to State of Florida	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>194,955</b>	<b>(47,025)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>5,803</b>	<b>38,718</b>	<b>(64,849)</b>	<b>14,874</b>	<b>236,593</b>	<b>5</b>
<b>Fund balances - beginning</b>	<b>45,049</b>	<b>294,546</b>	<b>539,263</b>	<b>13,030</b>	<b>561,651</b>	<b>54</b>
<b>Fund balances - ending</b>	<b>\$ 50,852</b>	<b>\$ 333,264</b>	<b>\$ 474,414</b>	<b>\$ 27,904</b>	<b>\$ 798,244</b>	<b>\$ 59</b>

(Continued)

Franklin County, Florida  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds (Continued)  
Year Ended September 30, 2006

	Special Revenue				
	Mosquito Control	Boating Improvement	Clerk Modernization Trust Fund	Clerk's Fine and Forfeitures	Law Enforcement Educational Trust
<b>Revenues</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	37,822	16,023	-	297,143	-
Fines and forfeitures	-	-	-	-	5,273
Charges for services	-	-	77,144	368,517	-
Investment earnings and other	2,368	5,310	963	-	220
<b>Total revenues</b>	<b>40,190</b>	<b>21,333</b>	<b>78,107</b>	<b>665,660</b>	<b>5,493</b>
<b>Expenditures</b>					
Current operating					
Public safety	-	-	22,004	-	-
Physical environment	-	-	-	-	-
Transportation	-	-	-	-	-
Human services	140,702	-	-	-	-
Culture/recreation	-	-	-	-	-
Court related	-	-	-	447,134	-
Capital outlay	9,595	-	18,068	-	-
Debt service	-	-	-	-	-
<b>Total expenditures</b>	<b>150,297</b>	<b>-</b>	<b>40,072</b>	<b>447,134</b>	<b>-</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(110,107)</b>	<b>21,333</b>	<b>38,035</b>	<b>218,526</b>	<b>5,493</b>
<b>Other financing sources (uses)</b>					
Operating transfers in	118,143	-	-	-	-
Operating transfers out	-	-	-	-	-
Reversion to State of Florida	-	-	-	(218,526)	-
<b>Total other financing sources (uses)</b>	<b>118,143</b>	<b>-</b>	<b>-</b>	<b>(218,526)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>8,036</b>	<b>21,333</b>	<b>38,035</b>	<b>-</b>	<b>5,493</b>
<b>Fund balances - beginning</b>	<b>36,275</b>	<b>114,404</b>	<b>165,269</b>	<b>-</b>	<b>41,775</b>
<b>Fund balances - ending</b>	<b>\$ 44,311</b>	<b>\$ 135,737</b>	<b>\$ 203,304</b>	<b>\$ -</b>	<b>\$ 47,268</b>

(Continued)

Franklin County, Florida  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds (Continued)  
Year Ended September 30, 2006

	Special Revenue			Capital Projects		Total Nonmajor Governmental Funds
	Neighborhood Revitalization CDBG	Hospital	Law Enforcement Trust	Debt Service Jail Bonds	Capital Projects	
<b>Revenues</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 716,068
Intergovernmental	-	-	-	140,500	-	3,774,020
Fines and forfeitures	-	-	-	-	-	12,303
Charges for services	-	-	-	-	-	925,808
Investment earnings and other	-	-	15	24,103	13,327	643,553
<b>Total revenues</b>	-	-	15	164,603	13,327	6,071,752
<b>Expenditures</b>						
Current operating						
Public safety	-	-	-	-	-	593,423
Physical environment	-	-	-	-	-	18,205
Transportation	-	-	-	-	-	1,727,355
Human services	-	73,748	-	-	-	214,450
Culture/recreation	-	-	-	-	-	666,548
Court related	-	-	-	-	-	447,134
Capital outlay	-	-	-	-	-	694,733
Debt service	-	-	-	124,000	-	124,000
<b>Total expenditures</b>	-	73,748	-	124,000	-	4,485,848
<b>Excess of revenues over (under) expenditures</b>	-	(73,748)	15	40,603	13,327	1,585,904
<b>Other financing sources (uses)</b>						
Operating transfers in	-	-	-	-	140,000	826,419
Operating transfers out	-	-	-	-	-	(351,025)
Reversion to State of Florida	-	-	-	-	-	(218,526)
<b>Total other financing sources (uses)</b>	-	-	-	-	140,000	256,868
<b>Net change in fund balances</b>	-	(73,748)	15	40,603	153,327	1,842,772
<b>Fund balances - beginning</b>	9,560	73,748	3,002	521,602	209,572	4,510,289
<b>Fund balances - ending</b>	\$ 9,560	\$ -	\$ 3,017	\$ 562,205	\$ 362,899	\$ 6,353,061

Franklin County, Florida  
 Combining Balance Sheet  
 Agency Funds  
 September 30, 2006

Agency Funds - Clerk

	Trust Funds	Registry of Court	Child Support
<b>Assets</b>			
Cash	\$ 67,023	\$ 41,687	\$ 249
<b>Total assets</b>	<b>\$ 67,023</b>	<b>\$ 41,687</b>	<b>\$ 249</b>
<b>Liabilities</b>			
Due to individuals	\$ -	\$ 41,687	\$ 249
Due to other funds	45,068	-	-
Due to other governments	21,955	-	-
<b>Total liabilities</b>	<b>\$ 67,023</b>	<b>\$ 41,687</b>	<b>\$ 249</b>

(Continued)

Franklin County, Florida  
 Combining Balance Sheet  
 Agency Funds (Continued)  
 September 30, 2006

	<u>Agency Funds - Sheriff</u>			<u>Agency Funds - Tax Collector</u>		
	Bonds	Individual Depository	Inmate Trust	Tax	Tag Agency	Totals
<b>Assets</b>						
Cash	\$ 120,190	\$ 1,530	\$ 2,876	\$ 275,705	\$ 5,199	\$ 514,459
Total assets	\$ 120,190	\$ 1,530	\$ 2,876	\$ 275,705	\$ 5,199	\$ 514,459
<b>Liabilities</b>						
Due to individuals	\$ 120,190	\$ -	\$ 2,876	\$ -	\$ -	\$ 165,002
Due to other funds	-	-	-	-	-	45,068
Due to other governments	-	1,530	-	275,705	5,199	304,389
Total liabilities	\$ 120,190	\$ 1,530	\$ 2,876	\$ 275,705	\$ 5,199	\$ 514,459

## Compliance Section



**INDEPENDENT AUDITORS' MANAGEMENT LETTER**

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

We have audited the financial statements of Franklin County, Florida as of and for the fiscal year ended September 30, 2006, and have issued our report thereon dated June 20, 2007.

We conducted our audit in accordance with United States generally accepted auditing standards, and *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our 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*, and our report on compliance with requirements applicable to each state project and internal control over compliance in accordance with Chapter 10.550, *Rules of the Auditor General*, and the schedule of findings and questioned costs. Disclosures in those reports, which are dated June 20, 2007, should be considered in conjunction with this management letter

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the State of Florida, and require that certain items be addressed in this letter.

The *Rules of the Auditor General* (Section 10.554(1)(h)1.) require that we address in the management letter, if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. The recommendations made in the preceding annual financial audit report have been corrected except as noted below.

**Status of Prior Year Audit Recommendations**

05-01 Board of County Commissioners (06-01 for Current Year)

***Need to Comply with Revolving Loan Program Requirements***

The Franklin County Revolving Loan Program, funded by a community development block grant (CDBG), continues to experience numerous delinquent accounts. Under a policy adopted by the County in 1997, the loan administrator was to initiate collection activities against those borrowers who were delinquent. There is disagreement between the County and the loan administrator as to who is

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responsible for the costs of collection efforts. As a result, collection efforts are at a standstill. The County has been informed by the Florida Department of Community Affairs it could possibly be responsible for paying back the delinquent accounts to the state or federal government, or jeopardize future CDBG funding. We recommend the County decide on a responsible person for the cost of collections, and that collection policies of the grant program be enforced to bring the loans to a current payment status.

As required by the *Rules of the Auditor General* (Section 10.554(1)(h)2.), the scope of our audit included 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 the County complied with Section 218.415, Florida Statutes.

The *Rules of the Auditor General* (Section 10.554(1)(h)3.) require that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not have any such findings.

The *Rules of the Auditor General* (Sections 10.554(1)(h)4.) require disclosure in the management letter of the following matters if not already addressed in the auditors' report on compliance and internal controls or schedule of findings and questioned costs and are not clearly inconsequential: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; or (5) other inaccuracies, shortages, defalcations, or instances of fraud discovered by, or that came to the attention of, the auditor.

### **Current Year Recommendations**

The prior year item listed above (05-01) still exists and is identified as items 06-01 for the current year report.

The *Rules of the Auditor General* (Section 10.554(1)(h)5.) require 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 County was established by the Constitution of the State of Florida, Article VIII, Section 1(e).

As required by the Rules of the Auditor General (Section 10.554(1)(h)6.a.), a statement must be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes. In connection with our audit, we determined that the County did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

As required by the *Rules of the Auditor General* (Section 10.554(1)(h)6.(b)), we determined that the annual financial report for the County for the year ended September 30, 2006, filed with the Florida Department of Financial Services pursuant to Section 218.32, Florida Statutes, is in agreement with the County's annual financial audit report for the fiscal year ended September 30, 2006.

As required by the *Rules of the Auditor General* (Section 10.554(1)(h)6.c. and 10.556(7)), we applied financial assessment procedures. It is management's responsibility to monitor the County's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided the same.

This management letter is intended solely for the information of the Board of County Commissioners, management, and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

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

Panama City, Florida

June 20, 2007



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**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 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, 2006, which collectively comprise Franklin County, Florida's basic financial statements and have issued our report thereon dated June 20, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Franklin County, Florida's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weakness. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Franklin County, Florida's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs as items 06-01. We also noted other matters involving the internal control over financial reporting, which we have reported to management in a separate letter dated June 20, 2007. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Franklin County, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of Franklin County, Florida in a separate letter dated June 20, 2007.

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

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

Panama City, Florida  
June 20, 2007

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH STATE PROJECT AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

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

Compliance

We have audited the compliance of Franklin County, Florida with the types of compliance requirements described in the Executive Office of the Governor's State Projects Compliance Supplement that are applicable to each of its state projects for the year ended September 30, 2006. Franklin County, Florida's state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its state projects is the responsibility of Franklin County, Florida's management. Our responsibility is to express an opinion on Franklin County, Florida's compliance based on our audit.

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

In our opinion, Franklin County, Florida, complied, in all material respects, with the requirements referred to above that are applicable to each of its state projects for the year ended September 30, 2006.

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## Internal Control Over Compliance

The management of Franklin County, Florida is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs and state projects. In planning and performing our audit, we considered Franklin County, Florida's internal control over compliance with requirements that could have a direct and material effect on a state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with Chapter 10.550, *Rules of the Auditor General*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal awards program or state financial assistance project being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

Panama City, Florida  
June 20, 2007

Franklin County, Florida  
Schedule of Expenditures of  
State Financial Assistance  
Year Ended September 30, 2006

<b>State Financial Assistance Projects</b>	<b>CSFA Number</b>	<b>Contract/Grant Number</b>	<b>Expenditures</b>
<b>Florida Housing Finance Agency</b>			
State Housing Initiatives Partnership (SHIP) Program	52.901	2003/2004	\$ 7,750
State Housing Initiatives Partnership (SHIP) Program	52.901	2004/2005	93,275
State Housing Initiatives Partnership (SHIP) Program	52.901	2005/2006	94,583
State Housing Initiatives Partnership (SHIP) Disaster Assistance	N/A	N/A	347,286
Total Florida Housing Finance Agency			542,894
<b>Department of Transportation</b>			
Aviation Development Grants			
Project # 41600719104 - Airport Ground Link Comm. System	55.004	ANK22	19,955
Project # 41591419401 - Rehab Runway 13-31	55.004	AOB92	4,525
Project # 40972119401 - Airport Master Plan Update	55.004	AK702	12,568
Project # 41898919401 - Airport Maintenance Tractor & Attachments	55.004	AO019	16,000
Project # 40972319401 - Airport Fencing/Security Gate	55.004	AK701	2,393
Project # 41908419401 - Airport Construct/Extend Entrance Road	55.004	AO271	98,179
Project # 41449119401 - Airport Relocate/Rehab Fuel Farm	55.004	ANV70	91,641
Project # 41604619401 - Airport Corporate Hangar/Office	55.004	AOB91	31,240
Project #41136115801 - SCOP - Co. Road 30A	55.009	AO721	1,266,239
Project # 41961515801 - CIGP - Lake Morality Road	55.008	AO716	102,294
Total Department of Transportation			1,645,034
<b>Department of Environmental Protection</b>			
Alligator Point Beach Restoration (04FR1)	37.003	06FR1	65,763
Consolidated Solid Waste Management Grant	37.012	SC608	191,176
Fla. Rec. Dev. Assist/Carrabelle Recreation Park	37.017	F06005	113,358
Total Department of Environmental Protection			370,297
<b>Department of Health</b>			
LP County EMS Grant	64.005	C5019	852
Rural Capital Improvement Grant (Telemetry System)	N/A	State Appropriation	112,903
Total Department of Health			113,755
<b>Department of Community Affairs</b>			
Emergency Management Preparedness Grant	52.008	06BG-04-02-29-01-073	102,960
Disaster Relief Funding-Hurricane Dennis FEMA 1595	52.600	06-DN-@G-02-29-01-588	6,618
Comp Plan Capital Improvement Element	52.033	06DR-73-02-29-01-029	15,000
Total Department of Community Affairs			124,578
<b>Department of State</b>			
State Aid to Libraries	45.030	05-ST-92	62,854
Voting Systems Assistance	N/A		31,608
Voting Systems Assistance	N/A		4,515
Total Department of State			98,977
<b>Department of Agriculture</b>			
Mosquito Control-State	42.003		37,822
Total Department of Agriculture			37,822
<b>The Executive Office of the Governor</b>			
<b>Office of Tourism, Trade &amp; Economic Development</b>			
SFD Industrial Park - Feasibility Study	31.008	OT06-109	51,685
Total Office of Tourism, Trade & Economic Development			51,685
<b>Florida Fish &amp; Wildlife Conservation Commission</b>			
Bluff Road Regional Boat Ramp	N/A	04135	261,127
Total Office of Tourism, Trade & Economic Development			261,127
Total Expenditures of State Financial Assistance			\$ 3,246,169

Franklin County, Florida  
 Schedule of Findings and Questioned Costs  
 Year Ended September 30, 2006

**Section I - Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued Unqualified  
 Internal control over financial reporting  
 Material weakness(es) identified? \_\_\_ yes  X  no  
 Reportable condition(s) identified not  
 considered to be material weaknesses?  X  yes   none  
reported  
 Noncompliance material to financial statements noted? \_\_\_ yes  X  no

State Financial Assistance

Internal control over major programs  
 Material weakness(es) identified? \_\_\_ yes  X  no  
 Reportable condition(s) identified not  
 considered to be material weaknesses? \_\_\_ yes  X  none  
reported  
 Type of auditors' report issued on compliance  
 for major programs Unqualified  
 Any audit findings disclosed that are required  
 to be reported in accordance with Section 10.557,  
 Rules of the Auditor General? \_\_\_ yes  X  no

Identification of major state projects:

<u>CSFA Number</u>	<u>Name of State Projects</u>
N/A	Florida Housing Finance Agency State Housing Initiatives Partnership - Disaster Assistance
55.009	State of Florida Department of Transportation SCOP - Co. Road 30A
N/A	State of Florida Fish and Wildlife Conservation Commission Bluff Road Regional Boat Ramp

(Continued)

Franklin County, Florida  
Schedule of Findings and Questioned Costs (Continued)  
Year Ended September 30, 2006

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

Auditee qualified as low-risk auditee?  yes  no

**Section II - Financial Statement Findings**

06-01 Supervisor of Elections and Property Appraiser  
Sheriff, Clerk of the Circuit Court, and Tax Collector

**Need for Segregation of Duties**

Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate. This is due to the limited number of employees, and certain incompatible duties being performed by the same employee. These offices recognize that the cost of its internal control structure should not exceed the benefits expected to be derived and the inherent limitations of any internal control structure. Mistakes and irregularities may occur in any event with or without an adequate internal control structure. Furthermore, adequate segregation of duties can be circumvented by collusion. Nevertheless, internal control is strengthened when incompatible duties are separated and review procedures are established and adhered to.

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

No such findings or questioned costs in the current year.

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

No such findings or questioned costs in the current year.

**Section V - Other Issues**

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

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

Franklin County, Florida  
Notes to Schedule of Expenditures of  
State Financial Assistance  
Year Ended September 30, 2006

**NOTE 1 BASIS OF ACCOUNTING**

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

**NOTE 2 REPORTING ENTITY**

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

**NOTE 3 PASS-THROUGH AWARDS**

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

**NOTE 4 LOANS OUTSTANDING**

The County had the following Federal bonds payable outstanding at September 30, 2006:

U.S. Department of Agriculture – Rural Development

Bonds payable at September 30, 2005	\$ 440,000
Bonds repayments during year	(102,000)
<hr/>	
Bonds payable at September 30, 2006	\$ 338,000
<hr/>	

# FRANKLIN COUNTY



REPLY TO

BOARD OF COUNTY COMMISSIONERS  
33 MARKET STREET, SUITE 203  
APALACHICOLA, FL 32320  
(850) 653-8861, EXT 100  
FAX (850) 653-4795

REPLY TO

PLANNING & BUILDING DEPT.  
34 FORBES STREET  
APALACHICOLA FL 32320  
(850) 653-9783  
FAX (850) 653-9799

July 13, 2007

William O. Monroe  
Auditor General  
G-74 Pepper Building  
PO Box 1735  
Tallahassee, FL 32302

Dear Mr. Monroe:

In response to the audit of Certified Public Accountant, Carr, Riggs & Ingram, LLC, of the Financial Statements of Franklin County, Florida for the year ended September 30, 2006, my explanation or rebuttal is as follows:

**RESPONSE TO INDEPENDENT AUDITOR'S MANAGEMENT LETTER**

**PRIOR YEAR RECOMMENDATION 05-01 and CURRENT YEAR RECOMMENDATION 06-01**

FINDING: Need to Comply With Revolving Loan Program

RESPONSE: The County has reached an agreement with ARPC, the loan administrator, to take possession of the loan records. The County will be notifying the loan recipients of loan balances and payment procedures.

Sincerely,

Marcia M. Johnson  
Ex-Officio Clerk to the  
Board of County Commissioners

MI/rw