

Franklin County, Florida
Annual Financial Statements
September 30, 2007

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Franklin County, Florida as of and for the year ended September 30, 2007, 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, 2007, 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 13, 2008, 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 important for assessing the results of our audit.

Management's discussion and analysis on pages 3 through 11, 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 federal awards and state financial assistance and findings and questioned costs are presented for the purpose of additional analysis, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and 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.

Carri Riggs & Ingram, L.L.C.

Panama City Beach, Florida

June 13, 2008

Management's Discussion and Analysis

Management's Discussion and Analysis

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

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

Financial Highlights

- The County's total net assets increased significantly with an increase of \$78,145,833 (or 235%) from September 30, 2006, to September 30, 2007. This increase is primarily due to the retroactive addition of infrastructure in the amount of \$71,919,842 as required by GASB 34.
- During the year ended September 30, 2007, the financial statements show that the County's general fund expenditures exceeded revenues by \$2,210,008. Please note, however, this deficit is created by adjustments moving the expenditure for the Sheriff's annual budget from the fines & forfeitures fund to general fund. Also, note that adjustments include operating transfers each year from the fines and forfeiture fund to general fund for the Sheriff's annual budget.
- The County's depreciable capital assets, net of accumulated depreciation, increased \$73,588,191 which represents an increase of 447% for the year.

Nonfinancial Events

- There was one Airport Project completed in the current year: the Airport Master Plan was updated. Through the Department of Transportation, the airport received a new backhoe, boom and generator. Many projects remain in progress at the end of the current year: the rehabilitation of runway 13-31, the new airport corporate hangar, the extension of the Airport Entrance Road as well as the relocation of the airport fuel farm. These projects are anticipated to be complete in the 07/08 fiscal year.
- The resurfacing and widening of County Road 30A and the two-year project of paving Lake Morality Road were completed in the current year. Construction began on the roadway improvements to County Road 67 from the Carrabelle City limits to the Liberty County line, this project will be complete in the 07/08 fiscal year.
- The County was the recipient of FRDAP grants during the 06/07 year to continue the work on the Carrabelle Recreation Park. This project began with the purchase of land using funds from a previous FRDAP grant. Survey and site preparation were completed during fiscal year 04/05 using funds from a St. Joe Foundation grant to assist with the development of a Carrabelle Recreational Park. Phases I and II are simultaneously in progress and completion is expected in 07/08. In phase I, funding was provided for a multi-purpose trail, a football/soccer field, a baseball/T-ball field, a little league baseball field, a playground, restrooms, a parking lot, a picnic pavilion, and a project sign.

- The initial/engineering phase of the Alligator Point Beach restoration project began in 05/06. The project will include relocating the Alligator Point Road as well as, beach renourishment. The initial/engineering phase will be complete in 07/08.
- In the prior fiscal year, the County was the recipient of courthouse facilities grant-in-aid funds for renovation of the courthouse. The renovation includes roof repair, updating electrical wiring, ceiling replacement, courtroom updates and a new handicapped accessible restroom. Much of the architectural work is complete and a signed agreement with a contractor is in place. Construction will begin in 07/08.
- The .68 mile long Bluff Road pedestrian/bike path extension project is underway and should be complete in 07/08. The St. George Island multi-use path phase III is still in the preliminary engineering phase and construction should begin sometime next year. The phase III path will extend from the south side of CR 300 from 11th Street to the St. George Island State Park.
- 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 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 2007 fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes earned, and earned but unused vacation leave). This statement is intended to summarize and simplify the user's analysis of cost of various governmental services. An increase or

decrease in net assets is an indication of whether the County's financial health is improving or deteriorating.

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

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

Fund Financial Statements

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

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

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

support the County's own programs. In its fiduciary capacity, the County is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

Infrastructure Assets

Generally, a government's largest group of assets (infrastructure – roads, bridges, traffic signals, underground pipes) are not reported nor depreciated in governmental fund financial statements. This statement requires that these assets be valued and reported within the Governmental column of the Government-wide statements. Additionally, the government must elect to either (a) depreciate these assets over their estimated useful life or (b) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. If the government develops the asset management system (the modified approach) which periodically (at least every third year), by category measures and demonstrates its maintenance of locally established levels of service standards, the government may record its cost of maintenance in lieu of depreciation. The County elected to depreciate its infrastructure assets.

Government-wide Financial Analysis

Statement of Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$111 million at September 30, 2007, and \$33 million at September 30, 2006.

Net Assets						
	Governmental Activities		Business-type Activities		Total	
September 30,	2007	2006	2007	2006	2007	2006
Current and other assets	\$21,314,004	\$18,668,584	\$2,245,660	\$3,023,229	\$23,559,664	\$21,691,813
Capital assets, net	94,237,047	17,095,306	537,147	469,366	94,774,194	17,564,672
Total assets	115,551,051	35,763,890	2,782,807	3,492,595	118,333,858	39,256,485
Current and other liabilities	2,546,404	2,488,340	1,264,961	537,139	3,811,365	3,025,479
Long-term liabilities	2,215,791	2,192,020	837,327	715,444	3,053,118	2,907,464
Total liabilities	4,762,195	4,680,360	2,102,288	1,252,583	6,864,483	5,932,943
Net assets invested in capital assets, net of related debt	93,430,245	14,612,628	484,180	414,260	93,914,425	15,026,888
Net assets – Restricted debt service	248,450	372,350	-	-	248,450	372,350
Net assets – Restricted law enforcement	4,113	11,568	-	-	4,113	11,568
Net assets – unrestricted	17,106,048	16,086,984	196,339	1,825,752	17,302,387	17,912,736
Total net assets	\$110,788,856	\$31,083,530	\$680,519	\$2,240,012	\$111,469,375	\$33,323,542

Statement of Activities

The following schedule summarizes revenues and expenses for the years ended September 30, 2007 and 2006:

Year ended September 30,	Changes in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Program revenues						
Charges for services	\$ 2,270,182	\$2,500,445	\$4,510,835	\$3,392,834	\$ 6,781,017	\$ 5,893,279
Operating grants/contributions	4,284,060	5,199,652	526,661	846,929	4,810,721	6,046,581
Capital grants/contributions	2,161,601	513,613	158,765	407,614	2,320,366	921,227
General revenues						
Property taxes	15,343,436	13,515,658	-	-	15,343,436	13,515,658
Other taxes	3,512,760	3,357,886	-	-	3,512,760	3,357,886
Investment earnings	849,200	627,302	6,749	-	855,949	627,302
Other	398,314	391,404	34,320	-	432,634	391,404
Transfers	(654,020)	(1,786,402)	654,020	1,786,402	-	-
Total revenues	28,165,533	24,319,558	5,891,350	6,433,779	34,056,883	30,753,337
Expenses						
Program activities						
General						
government	4,288,711	4,028,849	-	-	4,288,711	4,028,849
Public safety	6,860,309	6,785,572	-	-	6,860,309	6,785,572
Physical						
environment	1,503,125	610,741	-	-	1,503,125	610,741
Transportation	3,256,148	4,121,043	-	-	3,256,148	4,121,043
Economic						
environment	446,255	852,002	-	-	446,255	852,002
Human services	1,114,193	1,145,495	-	-	1,114,193	1,145,495
Culture and recreation	1,330,471	1,027,408	-	-	1,330,471	1,027,408
Court related	1,547,983	1,437,963	-	-	1,547,983	1,437,963
Interest and other charges	32,854	39,880	-	-	32,854	39,880
Business-type activities	-	-	6,696,811	4,193,767	6,696,811	4,193,767
Total expenses	20,380,049	20,048,953	6,696,811	4,193,767	27,076,860	24,242,720
Net increase (decrease)	\$7,785,484	\$ 4,270,605	\$ (805,461)	\$2,240,012	\$6,980,023	\$ 6,510,617

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.

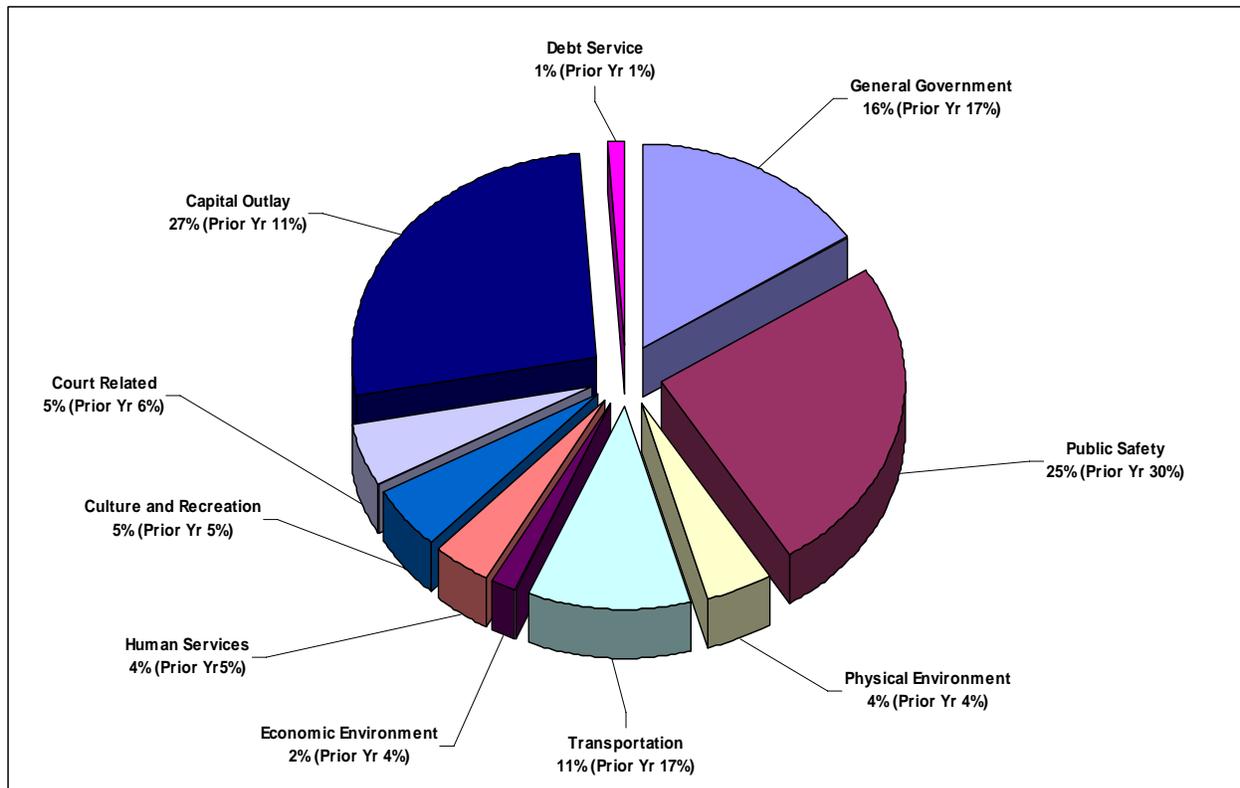
Governmental Funds

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>	2007	2006
Total fund balance	\$ 19,108,082	\$ 16,464,686
Less reserved fund balance for:		
Debt service	248,450	372,350
Landfill escrow	679,258	643,247
Law enforcement	4,113	11,568
Unreserved fund balance	\$ 18,176,261	\$ 15,437,521

As of the end of fiscal year 2007, the County's governmental funds reported combined ending fund balances of \$19,108,082. Of this amount, *unreserved fund balance* is \$18,176,261 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, state housing initiatives partnership program, economic development CDBG, clerk's fine and forfeitures and the hospital funds are reported as major funds.

- The general fund is the general operating fund of the County. All general tax revenues and other receipts that are not required either legally or by generally accepted accounting principles to be accounted for in other funds are accounted for in the general fund.
- General operating funds of the clerk of the Circuit Court, Property Appraiser, Sheriff, Tax Collector, and Supervisor of Elections represent subfunds of the County's general fund that are held and accounted for individually, but presented with the balance of the Board of County Commissioners' operating funds.
- Fines and forfeitures is the fund that accounts for fines and ad valorem taxes that are used to support the operations of the court system, law enforcement, and the jail.
- The local option gas tax fund accumulates funds derived from the local option gas tax revenues collected from gasoline sales in Franklin County. These funds are used for road construction and resurfacing.
- The state housing initiatives partnership program 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.
- Clerk's fine and forfeitures accounts for funds collected and disbursed pursuant to statutes, administrative orders and ordinances.
- 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 \$496,217. The County budget shows 100% of anticipated revenues with "less 5% of estimated revenues" being shown separately as a deduction. Additionally, taxpayers can take advantage of as much as 4% reduction in taxes by paying in the month of November.
- The general fund shows an unfavorable budget variance of \$352,991 in the category of intergovernmental revenues. This variance is primarily caused by grant revenues not being received as anticipated.
- Tax revenue of the fines & forfeitures fund shows an unfavorable budget variance of \$348,775. The County budget shows 100% of anticipated revenues with the "less 5% of estimated revenues" being shown separately as a deduction. Additionally, taxpayers can take advantage of as much as 4% reduction in taxes by paying in the month of November.
- The local option gas tax fund shows an unfavorable budget variance of \$4,356,537 in the category of intergovernmental revenues. This variance is primarily caused by grant revenues budgeted for the CR370 paving project. This project was not completed in the year as originally anticipated causing the actual grant revenues received to be significantly less than budgeted.

- Expenditures in the state housing initiatives partnership program were less than budgeted by \$330,419. These unspent grant funds will be available in the 2007-2008 fiscal year.
- The economic development CDBG fund is comprised of repayments of loans originally granted to individuals from CDBG funds.

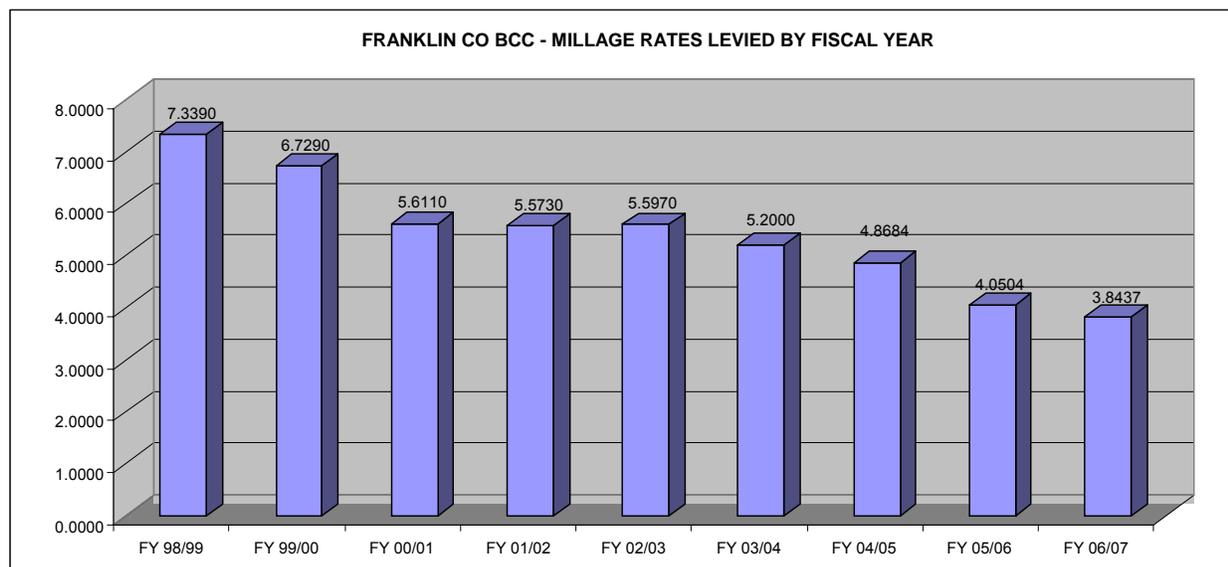
Capital Assets and Long-Term Debt

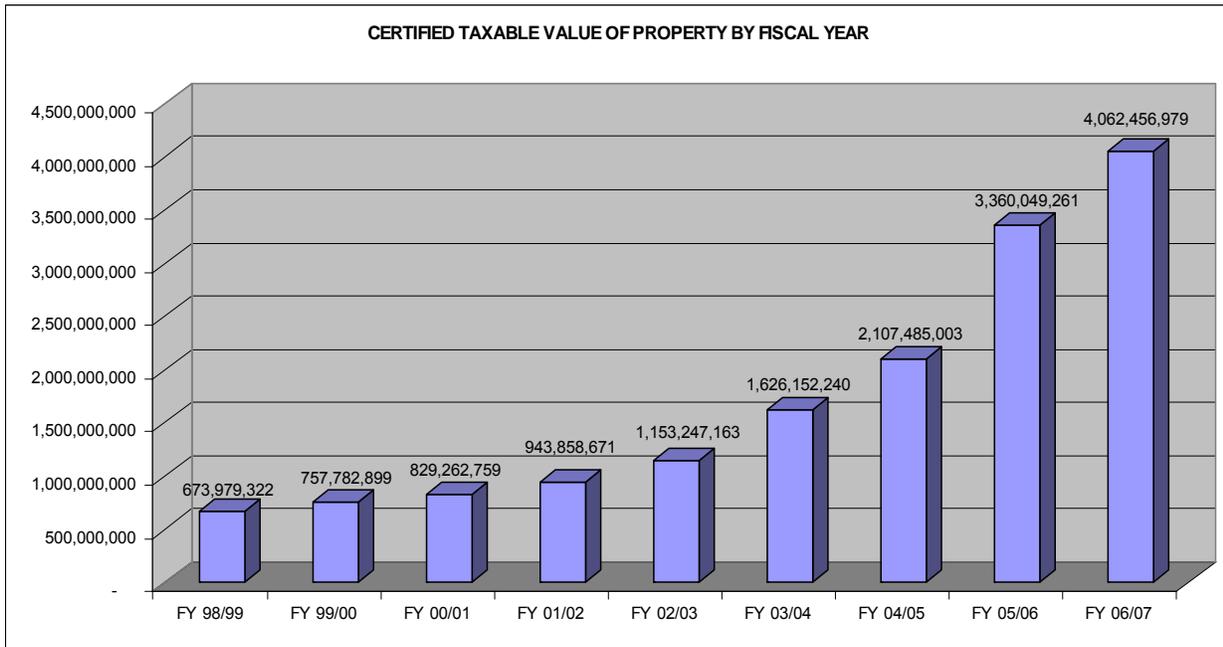
- As of September 30, 2007, the County incurred costs of \$2,787,714 for construction in progress. The installation of the Carrabelle Recreational Park ball field lights was completed at a cost of \$496,500. The resurfacing of County Road C30A was completed at a cost of \$786,560 and the paving of Lake Morality Road was also completed at a cost of \$933,743. The Construction of a new maintenance shop at the road department was completed at a cost of \$337,758.
- Additional purchases which increased capital asset value include: a new financial imaging system, two new knuckle-boom trucks (one purchased with the consolidated solid waste grant), forklift and a new pickup truck (both purchased through the grant) for the solid waste department, an animal cremation system for the animal control department, a new Econoline van and Kubota tractor for the parks and recreation department, a portable radio system and a new fuel pump management system for the road department, and some new grant-funded equipment for the airport.
- The County issued new long-term debt during the 2007 fiscal year in the amount of \$396,500 for lights in Carrabelle.

Significant Economic Factors

Taxable Value of Property and Millage Rates

The County received approximately \$15.5 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.





Requests for Information

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

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

Basic Financial Statements

Franklin County, Florida
Statement of Net Assets
September 30, 2007

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Cash and cash equivalents	\$ 2,271,524	\$ 162,396	\$ 2,433,920
Equity in pooled cash	16,785,203	64,157	16,849,360
Accounts receivable, net	204,224	1,983,450	2,187,674
Notes receivable	121,682	-	121,682
Prepaid expenses	-	8,795	8,795
Due from other governments	1,931,371	-	1,931,371
Capital assets			
Nondepreciable	4,706,669	13,400	4,720,069
Depreciable, net	89,530,378	523,747	90,054,125
Deposits	-	26,862	26,862
Total assets	\$ 115,551,051	\$ 2,782,807	\$ 118,333,858
Liabilities and net assets			
Accounts payable and accrued expenses	\$ 784,536	\$ 1,173,419	\$ 1,957,955
Due to other governments	217,978	-	217,978
Deferred revenue	1,055,380	-	1,055,380
Long-term liabilities			
Customer deposits	11,000	-	11,000
Due within one year			
Accrued compensated absences	114,419	16,353	130,772
Notes and leases payable	250,091	27,508	277,599
Bonds payable	113,000	-	113,000
Other	-	47,681	47,681
Due in more than one year			
Accrued compensated absences	422,758	92,665	515,423
Notes and leases payable	325,711	625,459	951,170
Bonds payable	118,000	-	118,000
Other	-	119,203	119,203
Landfill closure liability	1,349,322	-	1,349,322
Total liabilities	4,762,195	2,102,288	6,864,483
Net assets			
Invested in capital assets, net of related debt	93,430,245	484,180	93,914,425
Restricted for			
Debt service	248,450	-	248,450
Law enforcement	4,113	-	4,113
Unrestricted	17,106,048	196,339	17,302,387
Total net assets	\$ 110,788,856	\$ 680,519	\$ 111,469,375

See accompanying notes

Franklin County, Florida
Statement of Activities
Year Ended September 30, 2007

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets						
	Program Revenues				Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 4,288,711	\$ 482,012	\$ 48,004	\$ -	\$ (3,758,695)	\$ -	\$ (3,758,695)
Public safety	6,860,309	891,468	313,132	188,712	(5,466,997)	-	(5,466,997)
Physical environment	1,503,125	360,540	187,832	-	(954,753)	-	(954,753)
Transportation	3,256,148	-	2,494,833	1,972,889	1,211,574	-	1,211,574
Economic environment	446,255	-	414,101	-	(32,154)	-	(32,154)
Human services	1,114,193	2,480	349,467	-	(762,246)	-	(762,246)
Culture and recreation	1,330,471	20,896	476,691	-	(832,884)	-	(832,884)
Court related	1,547,983	512,786	-	-	(1,035,197)	-	(1,035,197)
Interest on long-term debt	32,854	-	-	-	(32,854)	-	(32,854)
Total governmental activities	20,380,049	2,270,182	4,284,060	2,161,601	(11,664,206)	-	(11,664,206)
Business-type activities							
Hospital	6,696,811	4,510,835	526,661	158,765	-	(1,500,550)	(1,500,550)
Total business-type activities	6,696,811	4,510,835	526,661	158,765	-	(1,500,550)	(1,500,550)
Total primary government	<u>\$ 27,076,860</u>	<u>\$ 6,781,017</u>	<u>\$ 4,810,721</u>	<u>\$ 2,320,366</u>	(11,664,206)	(1,500,550)	(13,164,756)
General revenues							
Taxes							
Property taxes					15,343,436	-	15,343,436
Franchise and utility taxes					54,031	-	54,031
Local option gas tax					338,209	-	338,209
Sales tax and other shared revenues					3,120,520	-	3,120,520
Investment earnings					849,200	6,749	855,949
Miscellaneous					398,314	34,320	432,634
Total general revenues					20,103,710	41,069	20,144,779
Transfers					(654,020)	654,020	-
Total general revenues and transfers					19,449,690	695,089	20,144,779
Change in net assets					7,785,484	(805,461)	6,980,023
Net assets - beginning					31,083,530	2,240,012	33,323,542
Prior period adjustment					71,919,842	(754,032)	71,165,810
Net assets - beginning (restated)					103,003,372	1,485,980	104,489,352
Net assets - ending					<u>\$ 110,788,856</u>	<u>\$ 680,519</u>	<u>\$ 111,469,375</u>

See accompanying notes

Franklin County, Florida
Balance Sheet
Governmental Funds
September 30, 2007

	General	Fines and Forfeitures	Local Option Gas Tax	State Housing Initiatives Partnership	Economic Development CDBG	Clerk's Fine and Forfeitures	Other Governmental Funds	Total Governmental Funds
Assets								
Cash and cash equivalents	\$ 597,639	\$ 17,476	\$ 92,814	\$ 116,718	\$ 9,762	\$ 218,982	\$ 2,919,069	\$ 3,972,460
Equity in pooled cash	4,894,635	2,418,949	3,339,062	481,434	254,316	-	3,695,871	15,084,267
Due from other funds	81,272	21,665	-	-	-	39,503	7,729	150,169
Due from other governmental units	458,076	53,586	1,049,937	-	-	-	369,772	1,931,371
Accounts receivable, net	29,224	50,588	-	112	-	-	79,509	159,433
Notes receivable	-	-	-	121,682	329,768	-	-	451,450
Total assets	\$ 6,060,846	\$ 2,562,264	\$ 4,481,813	\$ 719,946	\$ 593,846	\$ 258,485	\$ 7,071,950	\$ 21,749,150
Liabilities and fund balances								
Liabilities								
Customer deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,000	\$ 11,000
Vouchers payable	253,810	9,715	5,720	8,069	-	39,366	467,857	784,537
Due to other governmental units	-	-	-	-	-	217,875	103	217,978
Due to other funds	64,459	11,668	-	-	-	1,244	28,007	105,378
Deferred revenue	466,591	-	-	616,623	329,768	-	109,193	1,522,175
Total liabilities	784,860	21,383	5,720	624,692	329,768	258,485	616,160	2,641,068
Fund balances								
Reserved for debt service	-	-	-	-	-	-	248,450	248,450
Reserved for landfill escrow	-	-	-	-	-	-	679,258	679,258
Reserved for law enforcement	-	-	-	-	-	-	4,113	4,113
Unreserved								
Undesignated, reported in								
General fund	5,275,986	-	-	-	-	-	-	5,275,986
Special revenue funds	-	2,540,881	4,476,093	95,254	264,078	-	4,996,662	12,372,968
Capital projects	-	-	-	-	-	-	527,307	527,307
Total fund balances	5,275,986	2,540,881	4,476,093	95,254	264,078	-	6,455,790	19,108,082
Total liabilities and fund balances	\$ 6,060,846	\$ 2,562,264	\$ 4,481,813	\$ 719,946	\$ 593,846	\$ 258,485	\$ 7,071,950	

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.	94,237,047
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(2,693,301)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	137,028
Net assets of governmental activities	\$ 110,788,856

See accompanying notes

Franklin County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2007

	General	Fines and Forfeitures	Local Option Gas Tax	State Housing Initiatives Partnership	Economic Development CDBG	Clerk's Fine and Forfeitures	Other Governmental Funds	Total Governmental Funds
Revenues								
Taxes	\$ 8,845,380	\$ 6,168,600	\$ 319,098	\$ -	\$ -	\$ -	\$ 771,936	\$ 16,105,014
Licenses and permits	178,248	-	-	-	-	-	-	178,248
Intergovernmental	2,259,775	-	2,646,162	329,656	-	280,138	3,508,461	9,024,192
Fines and forfeitures	-	31,327	-	-	-	-	10,699	42,026
Charges for services	366,644	527,165	-	-	-	413,765	473,411	1,780,985
Investment earnings and other	590,855	1,789	121,970	35,402	13,347	5,572	731,440	1,500,375
Total revenues	12,240,902	6,728,881	3,087,230	365,058	13,347	699,475	5,495,947	28,630,840
Expenditures								
Current								
General government	3,989,575	-	-	-	-	-	29,935	4,019,510
Public safety	5,994,114	-	-	-	-	-	478,584	6,472,698
Physical environment	965,311	-	-	-	-	-	135,582	1,100,893
Transportation	-	-	1,069,014	-	-	-	1,692,645	2,761,659
Economic environment	51,348	-	-	393,856	-	-	-	445,204
Human services	857,569	-	-	-	-	-	157,213	1,014,782
Culture and recreation	329,689	-	-	-	-	-	907,656	1,237,345
Court related	21,572	831,102	-	-	-	479,540	-	1,332,214
Capital outlay	2,051,292	12,240	2,189,689	-	-	2,060	2,558,123	6,813,404
Debt service	190,440	-	-	-	-	-	123,900	314,340
Total expenditures	14,450,910	843,342	3,258,703	393,856	-	481,600	6,083,638	25,512,049
Excess (deficit) of revenues over (under) expenditures	(2,210,008)	5,885,539	(171,473)	(28,798)	13,347	217,875	(587,691)	3,118,791
Other financing sources (uses)								
Transfers in	5,957,064	-	2,600,000	-	-	-	1,063,601	9,620,665
Transfers out	(4,317,621)	(5,583,883)	-	-	-	-	(373,181)	(10,274,685)
Reversion to State of Florida	-	-	-	-	-	(217,875)	-	(217,875)
Debt issuance	396,500	-	-	-	-	-	-	396,500
Total other financing sources (uses)	2,035,943	(5,583,883)	2,600,000	-	-	(217,875)	690,420	(475,395)
Net change in fund balances	(174,065)	301,656	2,428,527	(28,798)	13,347	-	102,729	2,643,396
Fund balances - beginning	5,450,051	2,239,225	2,047,566	124,052	250,731	-	6,353,061	16,464,686
Fund balances - ending	\$ 5,275,986	\$ 2,540,881	\$ 4,476,093	\$ 95,254	\$ 264,078	\$ -	\$ 6,455,790	\$ 19,108,082

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, 2007

Amounts reported for governmental activities in the statement of activities (page 13) are different because:

Net change in fund balances - total governmental funds (page 15)	\$ 2,643,396
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of activities.	6,813,404
Depreciation expense on governmental capital assets included in the governmental activities in the statement of activities.	(1,763,904)
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.	281,486
The issuance of long-term debt (notes payable) provides current financial resources to governmental funds, while it has no effect on the statement of activities.	(396,500)
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.	18,890
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	188,712
Change in net assets of governmental activities (page 13)	\$ 7,785,484

Franklin County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended September 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 9,341,597	\$ 9,341,597	\$ 8,845,380	\$ (496,217)
Licenses and permits	344,000	344,000	178,248	(165,752)
Intergovernmental	2,364,816	2,612,766	2,259,775	(352,991)
Charges for services	254,000	254,000	366,644	112,644
Miscellaneous revenues	317,400	319,700	590,855	271,155
Total revenues	12,621,813	12,872,063	12,240,902	(631,161)
Expenditures				
Current				
General government	4,512,813	4,611,594	3,989,575	622,019
Public safety	6,122,795	5,988,994	5,994,114	(5,120)
Physical environment	987,899	1,013,742	965,311	48,431
Economic environment	51,751	51,754	51,348	406
Human services	1,005,708	1,010,493	857,569	152,924
Culture and recreation	353,782	330,238	329,689	549
Court related	43,314	43,314	21,572	21,742
Capital outlay	1,976,977	2,548,043	2,051,292	496,751
Debt service	285,830	445,103	190,440	254,663
Total expenditures	15,340,869	16,043,275	14,450,910	1,592,365
Excess (deficit) of revenues over (under) expenditures	(2,719,056)	(3,171,212)	(2,210,008)	961,204
Other financing sources (uses)				
Transfers in	76,693	80,299	5,957,064	5,876,765
Transfers out	(3,909,204)	(4,313,224)	(4,317,621)	(4,397)
Debt issuance	-	396,500	396,500	-
Total other financing sources (uses)	(3,832,511)	(3,836,425)	2,035,943	5,872,368
Net change in fund balance	(6,551,567)	(7,007,637)	(174,065)	6,833,572
Fund balance - beginning	5,450,051	5,450,051	5,450,051	-
Fund balance - ending	\$ (1,101,516)	\$ (1,557,586)	\$ 5,275,986	\$ 6,833,572

See accompanying notes

Franklin County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Fines and Forfeitures Fund
Year Ended September 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 6,517,375	\$ 6,517,375	\$ 6,168,600	\$ (348,775)
Charges for services	425,152	425,152	527,165	102,013
Fines and forfeitures	30,500	30,500	31,327	827
Miscellaneous revenues	3,500	3,500	1,789	(1,711)
Total revenues	6,976,527	6,976,527	6,728,881	(247,646)
Expenditures				
Current				
Court related	1,394,952	1,398,304	831,102	567,202
Capital outlay	132,500	129,148	12,240	116,908
Total expenditures	1,527,452	1,527,452	843,342	684,110
Excess of revenues over expenditures	5,449,075	5,449,075	5,885,539	436,464
Other financing sources (uses)				
Transfers out	(5,600,249)	(5,600,249)	(5,583,883)	16,366
Total other financing sources (uses)	(5,600,249)	(5,600,249)	(5,583,883)	16,366
Net change in fund balance	(151,174)	(151,174)	301,656	452,830
Fund balance - beginning	2,239,225	2,239,225	2,239,225	-
Fund balance - ending	\$ 2,088,051	\$ 2,088,051	\$ 2,540,881	\$ 452,830

See accompanying notes

Franklin County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Local Option Gas Tax Fund
Year Ended September 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 299,834	\$ 299,834	\$ 319,098	\$ 19,264
Intergovernmental	6,379,117	7,002,699	2,646,162	(4,356,537)
Miscellaneous revenues	20,500	20,500	121,970	101,470
Total revenues	6,699,451	7,323,033	3,087,230	(4,235,803)
Expenditures				
Current				
Transportation	266,172	443,249	1,069,014	(625,765)
Capital outlay	10,648,306	11,094,811	2,189,689	8,905,122
Total expenditures	10,914,478	11,538,060	3,258,703	8,279,357
Excess (deficit) of revenues over (under) expenditures	(4,215,027)	(4,215,027)	(171,473)	4,043,554
Other financing sources (uses)				
Transfers in	2,600,000	2,600,000	2,600,000	-
Total other financing sources (uses)	2,600,000	2,600,000	2,600,000	-
Net change in fund balance	(1,615,027)	(1,615,027)	2,428,527	4,043,554
Fund balance - beginning	2,047,566	2,047,566	2,047,566	-
Fund balance - ending	\$ 432,539	\$ 432,539	\$ 4,476,093	\$ 4,043,554

See accompanying notes

Franklin County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - State Housing Initiatives Partnership Fund
Year Ended September 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 350,000	\$ 350,000	\$ 329,656	\$ (20,344)
Miscellaneous revenues	11,800	11,800	35,402	23,602
Total revenues	361,800	361,800	365,058	3,258
Expenditures				
Current				
Economic environment	724,275	724,275	393,856	330,419
Total expenditures	724,275	724,275	393,856	330,419
Excess (deficit) of revenues over (under) expenditures	(362,475)	(362,475)	(28,798)	333,677
Fund balance - beginning	124,052	124,052	124,052	-
Fund balance - ending	\$ (238,423)	\$ (238,423)	\$ 95,254	\$ 333,677

Franklin County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Economic Development Fund - CDBG
Year Ended September 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous revenues	\$ 6,300	\$ 6,300	\$ 13,347	\$ 7,047
Total revenues	6,300	6,300	13,347	7,047
Expenditures				
Total expenditures	-	-	-	-
Excess of revenues over expenditures	6,300	6,300	13,347	7,047
Fund balance - beginning	250,731	250,731	250,731	-
Fund balance - ending	\$ 257,031	\$ 257,031	\$ 264,078	\$ 7,047

See accompanying notes

Franklin County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Clerk's Fine and Forfeitures Fund
Year Ended September 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 274,640	\$ 274,640	\$ 280,138	\$ 5,498
Charges for services	377,825	377,825	413,765	35,940
Miscellaneous revenues	-	-	5,572	5,572
Total revenues	652,465	652,465	699,475	47,010
Expenditures				
Current				
Court related	582,718	582,956	479,540	103,416
Capital outlay	10,032	10,194	2,060	8,134
Total expenditures	592,750	593,150	481,600	111,550
Excess of revenues over expenditures	59,715	59,315	217,875	158,560
Other financing sources (uses)				
Reversion to State of Florida	-	-	(217,875)	(217,875)
Total other financing sources (uses)	-	-	(217,875)	(217,875)
Net change in fund balance	59,715	59,315	-	(59,315)
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ 59,715	\$ 59,315	\$ -	\$ (59,315)

See accompanying notes

Franklin County, Florida
Statement of Net Assets
Proprietary Fund
September 30, 2007

Business-type Activities - Enterprise Fund

	Hospital
Assets	
Current assets	
Cash and cash equivalents	\$ 162,396
Equity in pooled cash	64,157
Accounts receivable, net	1,983,450
Prepaid expenses	8,795
Total current assets	2,218,798
Noncurrent assets	
Capital assets	
Land	13,400
Buildings	233,452
Machinery and equipment	401,319
Less allowance for depreciation	(111,024)
Capital assets (net of accumulated depreciation)	537,147
Other assets	
Deposits	26,862
Total noncurrent assets	564,009
Total assets	\$ 2,782,807
Liabilities	
Current liabilities	
Accounts payable and accrued expenses	\$ 1,173,419
Accrued compensated absences - current	16,353
Other - current	47,681
Leases payable - current	16,794
Notes payable - current	10,714
Total current liabilities	1,264,961
Noncurrent liabilities	
Accrued compensated absences	92,665
Other	119,203
Leases payable	36,173
Notes payable	589,286
Total noncurrent liabilities	837,327
Total liabilities	2,102,288
Net assets	
Invested in capital assets, net of related debt	484,180
Unrestricted	196,339
Total net assets	\$ 680,519

See accompanying notes

Franklin County, Florida
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
Year Ended September 30, 2007

Business-type Activities - Enterprise Fund

	Hospital
<hr/>	
Operating revenues	
Charges for services	\$ 4,510,835
Other	34,320
<hr/>	
Total revenues	4,545,155
<hr/>	
Operating expenses	
Salaries and wages	2,919,388
Payroll taxes	231,239
Advertising	26,986
Clinical supplies	712,934
Communications	37,304
Contractual services	32,307
Depreciation	76,852
Insurance	297,283
License and permits	11,995
Minor equipment	52,863
Other current charges	82,548
Other patient related costs	88,710
Professional services	1,764,813
Repairs and maintenance	101,850
Supplies	92,740
Training and development	18,994
Travel	20,446
Utilities	100,178
<hr/>	
Total operating expenses	6,669,430
<hr/>	
Operating income (loss)	(2,124,275)
<hr/>	
Nonoperating revenues (expenses)	
Interest income	6,749
Grants and noncapital contributions	526,661
Capital contributions	158,765
Interest expense and amortization of fiscal costs	(27,381)
<hr/>	
Total nonoperating revenues (expenses)	664,794
<hr/>	
Income before transfers	(1,459,481)
<hr/>	
Transfers in	654,020
<hr/>	
Change in net assets	(805,461)
<hr/>	
Net assets - beginning	2,240,012
Prior period adjustment	(754,032)
Net assets - beginning (restated)	1,485,980
<hr/>	
Net assets - ending	\$ 680,519
<hr/>	

See accompanying notes

Franklin County, Florida
Statement of Cash Flows
Proprietary Fund
Year Ended September 30, 2007

Business-type Activities - Enterprise Fund

	Hospital
Cash flows from operating activities	
Receipts from customers and others	\$ 5,434,767
Payments to suppliers	(2,638,021)
Payments to employees	(3,354,827)
Net cash used in operating activities	(558,081)
Cash flows from noncapital financing activities	
Noncapital grants and contributions	513,692
Insurer settlements	(509,197)
Transfers from other funds	654,020
Net cash provided by noncapital financing activities	658,515
Cash flows from capital and related financing activities	
Capital grants and contributions	158,765
Acquisition of capital assets	(144,174)
Repayment of leases	(67,581)
Interest paid on long-term debt	(27,381)
Net cash used in capital and related financing activities	(80,371)
Cash flows from investing activities	
Interest received	6,748
Net cash provided by investing activities	6,748
Increase in cash and cash equivalents	26,811
Cash and cash equivalents - beginning	199,742
Cash and cash equivalents - ending	\$ 226,553
Cash and cash equivalents displayed as	
Cash and cash equivalents	\$ 162,396
Equity in pooled cash	64,157
Total cash and cash equivalents	\$ 226,553

(Continued)

Franklin County, Florida
Statement of Cash Flows
Proprietary Fund (Continued)
Year Ended September 30, 2007

Business-type Activities - Enterprise Fund

	Hospital
Reconciliation of operating income (loss)	
to net cash used in operating activities	
Operating income (loss)	\$ (2,124,275)
Adjustments to reconcile operating income (loss) to net cash used in operating activities	
Depreciation	76,852
(Increase) decrease in assets	
Accounts receivables, net	749,915
Inventory	71,524
Prepaid expenses	1,805
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	676,062
Deferred revenue	(12,970)
Compensated absences	21,868
Deposits	(18,862)
Net cash used in operating activities	\$ (558,081)

Franklin County, Florida
Statement of Fiduciary Net Assets - Fiduciary Funds
September 30, 2007

	Agency Funds
<hr/>	
Assets	
Cash and cash equivalents	\$ 482,558
Total assets	\$ 482,558
<hr/>	
Liabilities	
Due to individuals	\$ 84,917
Due to other funds	44,791
Due to other governments	47,128
Installments	294,240
Deposits	11,482
Total liabilities	\$ 482,558
<hr/>	

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Franklin County, Florida (County) have been prepared in accordance with U.S. generally accepted accounting principles (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 (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. 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

Notes to Financial Statements

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 – 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 other funds.
- 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 improvements.
- State housing initiatives partnership – This fund accounts for the activity in the County's state housing initiatives 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.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Clerk’s Fine and Forfeitures – This fund accounts for funds collected and disbursed pursuant to statutes, administrative orders and ordinances.

Proprietary Major Funds

- Hospital – This fund is used to account for 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.

GASB Statement No. 34 required the County to report and depreciate new infrastructure assets effective October 1, 2002. These infrastructure assets are the largest asset class of the County. Prior to this, neither their cost nor related depreciation had been reported in the County's financial statements. The retroactive reporting of infrastructure was subject to an extended implementation period and is first effective for the year ended September 30, 2007. The County implemented the general provisions of GASB Statement No. 34 as of October 1, 2002, and the retroactive infrastructure provisions in the year ended September 30, 2007. See note 16 for the prior period effect on the financial statements.

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

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

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

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

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

Deferred Revenues

Deferred revenues reported in the government-wide financial statements represent unearned revenues. The deferred revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Deferred revenues reported in governmental fund financial statements represent unearned revenues or revenues which are measurable but

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenues (Continued)

not available, and in accordance with the modified accrual basis of accounting, are reported as deferred revenues.

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, 2007 was 3.8437 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.

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.

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 are not due and payable in the current period and therefore are not reported in the funds." The details of this \$2,693,301 difference are as follows:

Franklin County, Florida

Notes to Financial Statements

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

Bonds payable	\$ 231,000
Capital leases payable	575,802
Compensated absences	537,177
Landfill closing costs	1,349,322
<hr/>	
Net adjustment to reduce <i>fund balances - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$ 2,693,301

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 \$94,237,047 difference are as follows:

Cost of capital assets	\$ 128,218,389
Less: accumulated depreciation	(33,981,342)
<hr/>	
Net adjustment to increase <i>fund balances - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$ 94,237,047

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 \$137,028 difference are as follows:

Deferred revenues	\$ 459,117
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>	\$ 137,028

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

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

The details of this \$281,486 difference are as follows:

Principal repayments:	
Bonds	\$ 107,000
Capital leases	174,486
<hr/>	
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	\$ 281,486

Notes to Financial Statements

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

Another element of that reconciliation states, "some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$18,890 difference are as follows:

Compensated absences	\$ 92,342
Loss on disposals	(10,207)
Landfill costs	(63,245)
<hr/>	
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	\$ 18,890
<hr/>	

NOTE 3 – CASH 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.

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.

Notes to Financial Statements

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

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, 2007, the County did not hold any investments that were considered to be an interest rate risk.

Custodial Risks

At September 30, 2007, the County held deposits or investments that were considered to be a custodial risk. See note 15 for further information on custodial risks.

Concentration of Credit Risk

At September 30, 2007, the County did not hold any investments that were considered to be a concentration of credit risk.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivables at September 30, 2007, consisted of the following:

Governmental Activities - Accounts Receivable	General	Fines and Forfeitures	State Housing Initiatives Partnership	Economic Development	Other Govern- mental Funds	Total
Accounts receivable	\$ 29,224	\$ 50,588	\$ 112	\$ -	\$ 79,509	\$ 159,433
Notes receivable	-	-	121,682	329,768	-	451,450
(Allowance for doubtful accounts)	-	-	-	(329,768)	-	(329,768)
Accounts receivable, net	\$ 29,224	\$ 50,588	\$ 121,794	\$ -	\$ 79,509	\$ 281,115

Notes to Financial Statements

NOTE 4 – ACCOUNTS RECEIVABLE (CONTINUED)

Business-type Activities - Accounts Receivable	Hospital
Accounts receivable	\$ 7,725,348
(Allowance for doubtful accounts)	(5,741,898)
Accounts receivable, net	\$ 1,983,450

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, 2008.

Internal balances at September 30, 2007, consisted of the following:

Fund	Interfund Receivables	Interfund Payables
General	\$ 81,272	\$ 64,459
Special revenue		
Fines and forfeitures	21,665	11,668
County road and bridge	225	-
Fire protection	-	24,393
Property appraiser special revenue	-	3,614
Clerk's fine and forfeitures	39,503	1,244
Clerk's modernization trust	7,504	-
Total special revenue	68,897	40,919
Agency	-	44,791
Total	\$ 150,169	\$ 150,169

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.

Fund Transferred From	Fund Transferred to	Amount	Purpose
Fines and forfeitures	General	\$ 5,583,883	To fund the Sheriff budget.
General	Local option gas tax	2,600,000	Transfer of general revenue for road construction.
General	Nonmajor governmental funds	1,063,601	Purchase of equipment, operation of public library, and other allowable expenditures.
Nonmajor governmental funds	General	373,181	To record the budgeted transfers from the landfill fund and tourist development, and between special revenue funds and constitutional officers.
General	Hospital	654,020	Transfer of operating cash
Total		\$10,274,685	

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended September 30, 2007, was as follows:

	September 30, 2006	Increase	Decrease	September 30, 2007
Capital assets not being depreciated				
Land	\$ 1,098,738	\$ 311,520	\$ -	\$ 1,410,258
Construction in progress	508,697	2,840,864	-	3,349,561
Total capital assets not being depreciated	1,607,435	3,099,234	-	4,706,669
Capital assets being depreciated				
Buildings	10,001,148	377,758	-	10,378,906
Improvements other than buildings	2,663,579	-	-	2,663,579
Machinery and equipment	11,056,691	1,298,575	(348,559)	12,006,707
Infrastructure	4,078,343	94,384,187	-	98,462,530
Total capital assets being depreciated	27,799,761	96,060,520	(348,559)	123,511,722

Franklin County, Florida

Notes to Financial Statements

NOTE 6– CAPITAL ASSETS (CONTINUED)

	September 30, 2006	Increase	Decrease	September 30, 2007
Accumulated depreciation				
Buildings	\$ 3,036,038	\$ 199,646	\$ -	\$ 3,235,684
Improvements other than buildings	1,567,980	85,447	-	1,653,427
Machinery and equipment	7,446,778	1,275,524	(338,351)	8,383,951
Infrastructure	261,094	20,447,188	-	20,708,282
Total accumulated depreciation	12,311,890	22,007,805	(338,351)	33,981,344
Capital assets being depreciated - net	15,487,871	74,052,715	(10,208)	89,530,378
Total governmental activities' capital assets (net of accumulated depreciation)	\$ 17,095,306	\$77,151,949	\$ (10,208)	\$ 94,237,047

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

General government	\$ 234,814
Public safety	494,687
Physical environment	336,035
Transportation	500,576
Human services	99,649
Culture and recreation	98,143
Infrastructure (prior period adjustment)	20,243,901
Total depreciation expense - governmental activities	\$ 22,007,805

Capital asset activity for the business-type activities for the year ended September 30, 2007, was as follows:

	September 30, 2006	Increase	Decrease	September 30, 2007
Capital assets not being depreciated				
Land	\$ -	\$ 13,400	\$ -	\$ 13,400
Total capital assets not being depreciated	-	13,400	-	13,400
Capital assets being depreciated				
Buildings	211,371	22,081	-	233,452
Machinery and equipment	292,626	108,693	-	401,319
Total capital assets being depreciated	503,997	130,774	-	634,771

Franklin County, Florida

Notes to Financial Statements

NOTE 6– CAPITAL ASSETS (CONTINUED)

	September 30, 2006	Increase	Decrease	September 30, 2007
Less accumulated depreciation			e	
Buildings	\$ 4,595	\$ 6,121	\$ -	\$ 10,716
Machinery and equipment	30,036	70,272	-	100,308
Total accumulated depreciation	34,631	76,393	-	111,024
Capital assets being depreciated - net	469,366	54,381	-	523,747
Total governmental activities' capital assets (net of accumulated depreciation)	\$ 469,366	\$ 67,781	\$ -	\$ 537,147

NOTE 7 – LONG-TERM DEBT

Long-term debt of the County's governmental activities for the year ended September 30, 2007, was as follows:

	Balance September 30, 2006	Additions	Deductions	Balance September 30, 2007	Due Within One Year
Jail construction – capital improvement revenue bond, dated November 1989.	\$ 338,000	\$ -	\$ 107,000	\$ 231,000	\$ 113,000
Installment purchase agreement for landfill equipment, payable in annual payments of \$185,237 including interest at 5.2%.	352,859	-	173,557	179,302	179,302
Installment purchase agreement for office equipment, payable in quarterly payments of \$945 including interest at 7%.	929	-	929	-	-
Loan to purchase lights for Carabelle, payable in annual payments of \$93,310 including interest at 5.68%.	-	396,500	-	396,500	70,789
Long-term landfill closure and postclosure liability, see note 11.	1,286,077	63,245	-	1,349,322	-
Liability for compensated absences	629,520	-	92,343	537,177	114,419
Total	\$ 2,607,385	\$ 459,745	\$ 373,829	\$ 2,693,301	\$ 477,510

Franklin County, Florida

Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

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 balance at September 30, 2007 was \$231,000.

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, 2007, the reserve account cash balance is \$257,277.

Maturities of Long-Term Debt

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

Amount due during Year ended September 30,	Jail Construction – Capital Improvement Revenue Bond		
	Principal	Interest	Total
2008	\$ 113,000	\$ 11,550	\$ 124,550
2009	118,000	5,900	123,900
Total bonds	\$ 231,000	\$ 17,450	\$ 248,450

Amount due during Year ended September 30,	Note Payable/Installment Purchase		
	Principal	Interest	Total
2008	\$ 250,091	\$ 28,455	\$ 278,546
2009	74,809	18,501	93,310
2010	79,059	14,251	93,310
2011	83,549	9,761	93,310
2012	88,294	5,016	93,310
Total note payable/installment purchase	\$ 575,802	\$ 75,984	\$ 651,786

Long-term debt of the County's business-type activities for the year ended September 30, 2007, was as follows:

	Balance September 30, 2006	Additions	Deductions	Balance September 30, 2007	Due Within One Year
Office of Tourism, Trade, and Economic Development - Loan #1 payable in quarterly payments of \$11,111 plus interest at 3%. Principal payments begin 8/31/08.	\$ 300,000	\$ -	\$ -	\$ 300,000	\$ 10,714

Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

	Balance September 30, 2006	Additions	Deductions	Balance September 30, 2007	Due Within One Year
Office of Tourism, Trade, and Economic Development - Loan #2 payable in quarterly payments of \$11,111 plus interest at 3%. Principal payments begin 11/30/08.	\$ 300,000	\$ -	\$ -	\$ 300,000	\$ -
Popular Leasing - Sleep scanner lease payable in monthly payments of \$715.72 including interest at 9.25%.	19,105	-	(7,119)	11,986	7,805
GE - copier lease payable in monthly payments of \$744 including interest at 7%.	36,002	-	(6,621)	29,381	7,099
Popular Leasing – Medical night cabinet lease payable in monthly payments of \$259 including interest at 10.8%.	-	41,600	(30,000)	11,600	1,890
Medicaid - settlement payable in quarterly installments of \$11,920.	-	190,725	(23,841)	166,884	47,681
Liability for compensated absences	87,150	21,868	-	109,018	16,353
Total	\$ 742,257	\$ 254,193	\$ (67,581)	\$ 928,869	\$ 91,542

Maturities of Long-Term Debt

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

Amount due during Year ended September 30,	<u>OTTED Loan #1</u>			<u>OTTED Loan #2</u>		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 10,714	\$ 15,750	\$ 26,464	\$ -	\$ 18,000	\$ 18,000
2009	42,857	8,097	50,954	42,857	8,518	51,375
2010	42,857	6,910	49,767	42,857	7,132	49,989
2011	42,857	5,595	48,452	42,857	5,916	48,773
2012	42,857	4,339	47,196	42,857	4,661	47,518
2013 - 2015	117,858	5,334	123,192	128,572	6,298	134,870
Total notes payable	\$ 300,000	\$ 46,025	\$346,025	\$ 300,000	\$ 50,525	\$350,525

Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

Amount due during Year ended September 30,	Sleep scanner			Copier		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 7,805	\$ 783	\$ 8,588	\$ 7,099	\$ 1,832	\$ 8,931
2009	4,181	114	4,295	7,612	1,319	8,931
2010	-	-	-	8,163	768	8,931
2011	-	-	-	6,507	191	6,698
Total capital leases	\$ 11,986	\$ 897	\$ 12,883	\$ 29,381	\$ 4,110	\$ 33,491

Amount due during Year ended September 30,	Night Cabinet			
	Principal	Interest	Total	Medicaid
2008	\$ 1,890	\$ 1,161	\$ 3,051	\$ 47,681
2009	2,105	947	3,052	47,681
2010	2,344	708	3,052	47,681
2011	2,610	442	3,052	23,841
2012	2,651	145	2,796	-
Total capital leases	\$ 11,600	\$ 3,403	\$ 15,003	\$ 166,884

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.

Notes to Financial Statements

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

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

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

	October 1, 2006 Through June 30, 2007	July 1, 2007 Through September 30, 2007
Regular employees	9.85%	9.85%
Senior management	13.12%	13.12%
Elected County officials	16.53%	16.53%
Special risk employees	20.92%	20.92%
DROP plan participants	10.91%	10.91%

Contribution rates equal actuarial determined rates. During the year ended September 30, 2007, total payroll for all employees and the retirement contributions for all employees covered by FRS were as follows:

	Payroll Expense	Retirement Contributions
Board of County Commissioners	\$ 2,258,308	\$ 240,332
Clerk of the Circuit Court	735,072	81,255
Sheriff	3,317,885	586,926
Property Appraiser	478,331	51,772
Tax Collector	371,437	37,102
Supervisor of Elections	173,795	18,255
Total	\$ 7,334,828	\$ 1,015,642

The County's contributions to the Plan for the years ended September 30, 2007, 2006 and 2005 were \$1,015,642, \$825,374 and \$703,101 respectively, which equal the required contributions. For the year ended September 30, 2007, retirement contributions represent 14% of the County's total covered payroll.

Notes to Financial Statements

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:

Funds	Purpose	Amount
Board of County Commissioners		
Debt service	Repayment of long-term debt	\$ 248,450
Special revenue	Landfill escrow	679,258
Sheriff		
Special revenue	Law enforcement	4,113
Total		\$ 931,821

NOTE 10 – RISK MANAGEMENT

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

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

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

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

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

Notes to Financial Statements

NOTE 10 – RISK MANAGEMENT (CONTINUED)

- Workers' compensation and employer's liability
- General and automobile liability
- Real and personal property damage
- Public officials' liability
- Accidental death and dismemberment

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

NOTE 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 \$679,258 at September 30, 2007. 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 \$1,349,322 amount reported as landfills closure and postclosure care liability at September 30, 2007 (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 \$647,366 for closure and \$2,311,020 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, 2007. 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.

Notes to Financial Statements

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.

NOTE 15 – SUBSEQUENT EVENTS

Sales Tax – Effective January 1, 2008, Franklin County imposed a one cent sales surtax on a portion of all sales occurring within Franklin County. The tax proceeds and any interest accrued are to be used for the purpose of constructing an urgent care facility in Carrabelle, upgrading the ambulance service, and paying the cost of operations of healthcare infrastructure and services, including the construction of a new public hospital facility to replace the George E. Weems Memorial Hospital.

Medicare withholdings – Medicare stopped payment on claims in December 2007 in order to reclaim audit adjustments in the amount of \$836,681. The audit adjustments are for claims dated from January 1, 2004 to July 1, 2007. Because the Hospital has a signed agreement releasing them from liability for any period prior to January 1, 2006, the Hospital anticipates that the portion of the liability for that period will not be collectible by Medicaid. The Hospital has accrued a liability for the portion of Medicaid's audit adjustments that occurred from January 1, 2006 to July 1, 2007 in the amount of \$389,567. These adjustments for the period from January 1, 2006 through July 1, 2006 in the amount of \$190,725 were recorded as an adjustment to beginning retained earnings for the period ended September 30, 2007.

Investments - As of September 30, 2007, the County had \$16,785,203 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Fund coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to subprime mortgage risk. On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately \$12 billion or 86% of Pool assets. Pool B consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately \$2 billion or 14% of Pool assets. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B.

Currently, Pool A participants may withdraw 15% of their balance or \$2 million, whichever is greater, without penalty. Withdrawals from Pool A in excess of the above limit are subject to a 2% redemption fee. New investments in Pool A are not subject to the redemption fee or withdrawal restrictions. Future withdrawal provisions from Pool A will be subject to further

Notes to Financial Statements

NOTE 15 – SUBSEQUENT EVENTS (CONTINUED)

evaluation based on the maturities of existing investments and the liquidity requirements of the Pool. On December 21, 2007, Standard and Poor's Ratings Services assigned its "AAAM" principal stability fund rating to Pool A.

Currently, Pool B participants are prohibited from withdrawing any amount from the Pool and a formal withdrawal policy has not yet been developed. Market valuations of the assets held in Pool B are not readily available. In addition, full realization of the principle value of Pool B assets is not readily determinable.

As of December 31, 2007, the County had \$10,668,764 and \$2,011,101 invested in Pool A and B, respectively. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

NOTE 16 – PRIOR PERIOD ADJUSTMENT

Governmental Activities - GASB Statement Number 34 required the County to report and depreciate new infrastructure assets effective October 1, 2002. Neither their cost nor related depreciation has historically been reported in the County's financial statements. GASB's requirement to retroactively report infrastructure was subject to an extended implementation period and is first effective for the year ended September 30, 2007. The County elected to implement the general provisions of GASB Statement Number 34 as of October 1, 2002, and implement the retroactive infrastructure provisions in the year ended September 30, 2007. The implementation of this requirement resulted in an increase in the beginning net assets of the government-wide statement of activities in the amount of \$71,919,842. This increase was the result of adding infrastructure in the amount of \$92,163,743 and associated accumulated depreciation in the amount of \$20,243,901.

Hospital - The beginning retained earnings for the Hospital was reduced for the following:

Cost Report Audit for 2006	\$ 39,984
Medicaid withholdings from Dassee	(435,806)
Accounts payable adjustment	41,999
Medicaid settlement through January 1, 2006 (See Note 15)	(190,725)
Medicaid liability from January 1, 2006 through July 1, 2006 (See Note 15)	(209,484)
Total	<u>\$ (754,032)</u>

Combining Financial Statements

Franklin County, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2007

	Special Revenue					
	County Road and Bridge	911 Trust	Landfill	Sheriff's Special Revenue Funds	Pier	Fire Protection
Assets						
Cash and cash equivalents	\$ 45,513	\$ 206,083	\$ 108,678	\$ 72,371	\$ 1,641,605	\$ 61,194
Equity in pooled cash	487,005	-	901,719	-	-	-
Due from other funds	225	-	-	-	-	-
Due from other governmental units	186,435	15,083	-	2,887	-	-
Accounts receivable, net	25,790	-	45,604	-	-	1,920
Total assets	\$ 744,968	\$ 221,166	\$ 1,056,001	\$ 75,258	\$ 1,641,605	\$ 63,114
Liabilities and fund balances						
Liabilities						
Customer deposits	\$ -	\$ -	\$ 11,000	\$ -	\$ -	\$ -
Vouchers payable	47,744	82	31,826	-	-	38,618
Due to other governmental units	-	-	-	-	-	103
Due to other funds	-	-	-	-	-	24,393
Deferred revenue	-	109,064	-	-	-	-
Total liabilities	47,744	109,146	42,826	-	-	63,114
Fund balances						
Reserved for debt service	-	-	-	-	-	-
Reserved for landfill escrow	-	-	679,258	-	-	-
Reserved for law enforcement	-	-	-	4,113	-	-
Unreserved	697,224	112,020	333,917	71,145	1,641,605	-
Total fund balances	697,224	112,020	1,013,175	75,258	1,641,605	-
Total liabilities and fund balances	\$ 744,968	\$ 221,166	\$ 1,056,001	\$ 75,258	\$ 1,641,605	\$ 63,114

(Continued)

Franklin County, Florida
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
September 30, 2007

	Special Revenue					
	Airport	Recycling	Bald Point Trust Fund	Library	Tourist Development	Emergency Medical Services
Assets						
Cash and cash equivalents	\$ 51,564	\$ 3,131	\$ 3,880	\$ 41,401	\$ 414,668	\$ 191
Equity in pooled cash	2,743	104,334	377,044	-	568,061	-
Due from other funds	-	-	-	-	-	-
Due from other governmental units	-	-	49,221	-	116,146	-
Accounts receivable, net	2,439	2,201	-	-	-	-
Total assets	\$ 56,746	\$ 109,666	\$ 430,145	\$ 41,401	\$ 1,098,875	\$ 191
Liabilities and fund balances						
Liabilities						
Customer deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Vouchers payable	659	65,597	11,729	8,882	247,665	-
Due to other governmental units	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	129
Total liabilities	659	65,597	11,729	8,882	247,665	129
Fund balances						
Reserved for debt service	-	-	-	-	-	-
Reserved for landfill escrow	-	-	-	-	-	-
Reserved for law enforcement	-	-	-	-	-	-
Unreserved	56,087	44,069	418,416	32,519	851,210	62
Total fund balances	56,087	44,069	418,416	32,519	851,210	62
Total liabilities and fund balances	\$ 56,746	\$ 109,666	\$ 430,145	\$ 41,401	\$ 1,098,875	\$ 191

(Continued)

Franklin County, Florida
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
September 30, 2007

	Special Revenue				
	Mosquito Control	Boating Improvement	Clerk Modernization Trust Fund	Property Appraisers Special Revenue Funds	Law Enforcement Educational Trust
Assets					
Cash and cash equivalents	\$ 23,134	\$ 1,596	\$ 153,864	\$ 4,186	\$ 52,285
Equity in pooled cash	20,594	119,016	-	-	-
Due from other funds	-	-	7,504	-	-
Due from other governmental units	-	-	-	-	-
Accounts receivable, net	-	1,094	-	-	461
Total assets	\$ 43,728	\$ 121,706	\$ 161,368	\$ 4,186	\$ 52,746
Liabilities and fund balances					
Liabilities					
Customer deposits	\$ -	\$ -	\$ -	\$ -	\$ -
Vouchers payable	3,013	6,450	5,592	-	-
Due to other governmental units	-	-	-	-	-
Due to other funds	-	-	-	3,614	-
Deferred revenue	-	-	-	-	-
Total liabilities	3,013	6,450	5,592	3,614	-
Fund balances					
Reserved for debt service	-	-	-	-	-
Reserved for landfill escrow	-	-	-	-	-
Reserved for law enforcement	-	-	-	-	-
Unreserved	40,715	115,256	155,776	572	52,746
Total fund balances	40,715	115,256	155,776	572	52,746
Total liabilities and fund balances	\$ 43,728	\$ 121,706	\$ 161,368	\$ 4,186	\$ 52,746

(Continued)

Franklin County, Florida
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
September 30, 2007

	Special Revenue		Capital Projects		Total Nonmajor Governmental Funds
	Neighborhood Revitalization CDBG	Law Enforcement Trust	Debt Service Jail Bonds	Capital Projects	
Assets					
Cash and cash equivalents	\$ 9,560	\$ 3,032	\$ 20,125	\$ 1,008	\$ 2,919,069
Equity in pooled cash	-	-	589,056	526,299	3,695,871
Due from other funds	-	-	-	-	7,729
Due from other governmental units	-	-	-	-	369,772
Accounts receivable, net	-	-	-	-	79,509
Total assets	\$ 9,560	\$ 3,032	\$ 609,181	\$ 527,307	\$ 7,071,950
Liabilities and fund balances					
Liabilities					
Customer deposits	\$ -	\$ -	\$ -	\$ -	\$ 11,000
Vouchers payable	-	-	-	-	467,857
Due to other governmental units	-	-	-	-	103
Due to other funds	-	-	-	-	28,007
Deferred revenue	-	-	-	-	109,193
Total liabilities	-	-	-	-	616,160
Fund balances					
Reserved for debt service	-	-	248,450	-	248,450
Reserved for landfill escrow	-	-	-	-	679,258
Reserved for law enforcement	-	-	-	-	4,113
Unreserved	9,560	3,032	360,731	527,307	5,523,969
Total fund balances	9,560	3,032	609,181	527,307	6,455,790
Total liabilities and fund balances	\$ 9,560	\$ 3,032	\$ 609,181	\$ 527,307	\$ 7,071,950

Franklin County, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended September 30, 2007

	Special Revenue					
	County Road and Bridge	911 Trust	Landfill	Sheriff's Special Revenue Funds	Pier	Fire Protection
Revenues						
Taxes	\$ 19,111	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,180,086	15,282	-	35,514	-	-
Fines and forfeitures	-	-	-	5,468	-	-
Charges for services	-	50,413	326,141	-	-	-
Investment earnings and other	44,371	1,427	47,377	127,251	86,834	238,642
Total revenues	1,243,568	67,122	373,518	168,233	86,834	238,642
Expenditures						
Current						
General government	-	-	-	-	-	-
Public safety	-	44,928	-	159,621	-	238,642
Physical environment	-	-	135,582	-	-	-
Transportation	1,516,472	-	-	-	-	-
Human services	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay	115,766	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total expenditures	1,632,238	44,928	135,582	159,621	-	238,642
Excess (deficit) of revenues over (under) expenditures	(388,670)	22,194	237,936	8,612	86,834	-
Other financing sources (uses)						
Transfers in	586,699	-	-	-	-	-
Transfers out	-	-	(304,000)	(10,346)	-	-
Total other financing sources (uses)	586,699	-	(304,000)	(10,346)	-	-
Net change in fund balances	198,029	22,194	(66,064)	(1,734)	86,834	-
Fund balances - beginning	499,195	89,826	1,079,239	76,992	1,554,771	-
Fund balances - ending	\$ 697,224	\$ 112,020	\$ 1,013,175	\$ 75,258	\$ 1,641,605	\$ -

(Continued)

Franklin County, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
Year Ended September 30, 2007

	Special Revenue					
	Airport	Recycling	Bald Point Trust Fund	Library	Tourist Development	Emergency Medical Services
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 752,825	\$ -
Intergovernmental	1,972,889	-	42,644	66,084	-	2,389
Fines and forfeitures	-	-	-	-	-	-
Charges for services	-	34,280	-	-	-	-
Investment earnings and other	31,221	14,282	34,272	7,401	33,513	3
Total revenues	2,004,110	48,562	76,916	73,485	786,338	2,392
Expenditures						
Current						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	2,389
Physical environment	-	-	-	-	-	-
Transportation	43,259	-	132,914	-	-	-
Human services	-	-	-	-	-	-
Culture and recreation	-	-	-	259,505	648,151	-
Capital outlay	1,955,616	337,757	-	21,826	30,000	-
Debt service	-	-	-	-	-	-
Total expenditures	1,998,875	337,757	132,914	281,331	678,151	2,389
Excess (deficit) of revenues over (under) expenditures	5,235	(289,195)	(55,998)	(207,846)	108,187	3
Other financing sources (uses)						
Transfers in	-	-	-	212,461	-	-
Transfers out	-	-	-	-	(55,221)	-
Total other financing sources (uses)	-	-	-	212,461	(55,221)	-
Net change in fund balances	5,235	(289,195)	(55,998)	4,615	52,966	3
Fund balances - beginning	50,852	333,264	474,414	27,904	798,244	59
Fund balances - ending	\$ 56,087	\$ 44,069	\$ 418,416	\$ 32,519	\$ 851,210	\$ 62

(Continued)

Franklin County, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
Year Ended September 30, 2007

	Special Revenue				
	Mosquito Control	Boating Improvement	Clerk Modernization Trust Fund	Property Appraisers Special Revenue Funds	Law Enforcement Educational Trust
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	37,000	16,073	-	-	-
Fines and forfeitures	-	-	-	-	5,231
Charges for services	-	-	58,994	3,583	-
Investment earnings and other	1,596	7,230	963	11	247
Total revenues	38,596	23,303	59,957	3,594	5,478
Expenditures					
Current					
General government	-	-	26,130	3,805	-
Public safety	-	-	33,004	-	-
Physical environment	-	-	-	-	-
Transportation	-	-	-	-	-
Human services	157,213	-	-	-	-
Culture and recreation	-	-	-	-	-
Capital outlay	5,023	43,784	48,351	-	-
Debt service	-	-	-	-	-
Total expenditures	162,236	43,784	107,485	3,805	-
Excess (deficit) of revenues over (under) expenditures	(123,640)	(20,481)	(47,528)	(211)	5,478
Other financing sources (uses)					
Transfers in	120,044	-	-	4,397	-
Transfers out	-	-	-	(3,614)	-
Total other financing sources (uses)	120,044	-	-	783	-
Net change in fund balances	(3,596)	(20,481)	(47,528)	572	5,478
Fund balances - beginning	44,311	135,737	203,304	-	47,268
Fund balances - ending	\$ 40,715	\$ 115,256	\$ 155,776	\$ 572	\$ 52,746

(Continued)

Franklin County, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
Year Ended September 30, 2007

	Special Revenue		Capital Projects		Total Nonmajor Governmental Funds
	Neighborhood Revitalization CDBG	Law Enforcement Trust	Debt Service Jail Bonds	Capital Projects	
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 771,936
Intergovernmental	-	-	140,500	-	3,508,461
Fines and forfeitures	-	-	-	-	10,699
Charges for services	-	-	-	-	473,411
Investment earnings and other	-	15	30,376	24,408	731,440
Total revenues	-	15	170,876	24,408	5,495,947
Expenditures					
Current					
General government	-	-	-	-	29,935
Public safety	-	-	-	-	478,584
Physical environment	-	-	-	-	135,582
Transportation	-	-	-	-	1,692,645
Human services	-	-	-	-	157,213
Culture and recreation	-	-	-	-	907,656
Capital outlay	-	-	-	-	2,558,123
Debt service	-	-	123,900	-	123,900
Total expenditures	-	-	123,900	-	6,083,638
Excess (deficit) of revenues over (under) expenditures	-	15	46,976	24,408	(587,691)
Other financing sources (uses)					
Transfers in	-	-	-	140,000	1,063,601
Transfers out	-	-	-	-	(373,181)
Total other financing sources (uses)	-	-	-	140,000	690,420
Net change in fund balances	-	15	46,976	164,408	102,729
Fund balances - beginning	9,560	3,017	562,205	362,899	6,353,061
Fund balances - ending	\$ 9,560	\$ 3,032	\$ 609,181	\$ 527,307	\$ 6,455,790

Franklin County, Florida
Combining Balance Sheet
Agency Funds
September 30, 2007

Agency Funds - Clerk

	Trust Funds	Registry of Court	Child Support
Assets			
Cash and cash equivalents	\$ 72,460	\$ 26,554	\$ 350
Total assets	\$ 72,460	\$ 26,554	\$ 350
Liabilities			
Due to individuals	\$ -	\$ 26,554	\$ 350
Due to other funds	44,791	-	-
Due to other governments	27,669	-	-
Deposits	-	-	-
Installments	-	-	-
Total liabilities	\$ 72,460	\$ 26,554	\$ 350

(Continued)

Franklin County, Florida
Combining Balance Sheet
Agency Funds (Continued)
September 30, 2007

	Agency Funds - Sheriff			Agency Funds - Tax Collector		
	Bonds	Individual Depository	Inmate Trust	Tax	Tag Agency	Total
Assets						
Cash and cash equivalents	\$ 56,057	\$ 1,530	\$ 1,956	\$ 312,207	\$ 11,444	\$ 482,558
Total assets	\$ 56,057	\$ 1,530	\$ 1,956	\$ 312,207	\$ 11,444	\$ 482,558
Liabilities						
Due to individuals	\$ 56,057	\$ -	\$ 1,956	\$ -	\$ -	\$ 84,917
Due to other funds	-	-	-	-	-	44,791
Due to other governments	-	1,530	-	13,342	4,587	47,128
Deposits	-	-	-	4,625	6,857	11,482
Installments	-	-	-	294,240	-	294,240
Total liabilities	\$ 56,057	\$ 1,530	\$ 1,956	\$ 312,207	\$ 11,444	\$ 482,558

Compliance Section

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

We have audited the financial statements of Franklin County, Florida (County) as of and for the fiscal year ended September 30, 2007, and have issued our report thereon dated June 13, 2008.

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 Major Federal Program/State Project and on Internal Control over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, and the Schedule of Findings and Questioned Costs. Disclosures in those reports, which are dated June 13, 2008, 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.

Section 10.554(1)(i)1., Rules of the Auditor General requires that we determine whether or not the corrective actions have been taken to address significant audit findings and recommendations made in the preceding annual financial audit report. The recommendations made in the preceding annual financial audit report have been corrected.

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

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, there were no such findings or recommendations.

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

Section 10.554(1)(i)5., Rules of the Auditor General, suggests, based on professional judgment, the reporting of following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies, including but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosure from the financial statements); (b) failures to properly record financial transactions; or (c) other inaccuracies, shortages, defalcations, or instances of fraud discovered by, or that came to the attention of the auditor. In connection with our audit, we did not have any such findings.

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

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

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Franklin County, Florida for the fiscal year ended September 30, 2007, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2007. In connection with our audit, we determined that these two reports were in agreement.

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

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.

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

Panama City Beach, Florida
June 13, 2008

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, 2007, which collectively comprise Franklin County, Florida's basic financial statements and have issued our report thereon dated June 13, 2008. 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 the Franklin County, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on effectiveness of the Franklin County, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Franklin County, Florida's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Franklin County, Florida's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Franklin County, Florida's financial statements that is more than inconsequential will not be prevented or detected by the Franklin County, Florida's internal control. We consider the following findings to be significant deficiencies in internal control over financial reporting.

07-01 Significant adjustments to the financial records were made in order for the financial statements to conform to generally accepted accounting principles.

07-02 Inadequate design of internal control over the preparation of the financial statements being audited gives rise to a significant deficiency in internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented by the Franklin County, Florida's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that neither of the significant deficiencies described above is a material weakness.

Compliance and other matters

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

This report is intended solely for the information and use of the Board of County Commissioners, management, 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.

Carri Riggs & Ingram, L.L.C.

Panama City Beach, Florida

June 13, 2008

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM/STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

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

Compliance

We have audited the compliance of Franklin County, Florida with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the Executive Office of the Governor's State Projects Compliance Supplement that are applicable to each of its major federal programs and state projects for the year ended September 30, 2007. Franklin County, Florida's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and 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, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, *Rules of the Auditor General*. Those standards, OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major 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 major federal awards and state projects for the year ended September 30, 2007.

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 major federal program or state project in order to determine our auditing procedures for the purpose of expressing our opinion on but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Franklin County, Florida's internal control over compliance.

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

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

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

Franklin County, Florida's responses to the findings identified in our audit are described in the accompanying management's response letter. We did not audit Franklin County, Florida's response and, accordingly, we express no opinion on it.

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 Beach, Florida
June 13, 2008

Franklin County, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance
Year Ended September 30, 2007

Federal Award Programs	CFDA Number	Contract /Grant Number	Expenditures
U.S. Department of Justice			
Passed through Florida Department of Law Enforcement			
Narcotics Task Force	16.579	2007-JAGC-FRAN-1-P3-030	\$ 55,291
Local Law Enforcement Equipment Block Grant	16.579	2007-JAGC-FRAN-3-P4-036	1,000
Passed through Office of the Attorney General			
Victims of Crime Act	16.575	V4178	35,514
Total U.S. Department of Justice			91,805
U.S. Department of Homeland Security			
Passed through Florida Department of Community Affairs			
Homeland Security Grant	97.067	07-DS-5N-02-29-01-395	10,219
Disaster Relief-Hurricane Dennis FEMA 1595	97.036	06-DN-@G-02-29-01-588	189,637
Disaster Relief-Hurricane Ivan FEMA 1551	97.036	05-PA-G=-02-29-02-585	318,728
Emergency Management Performance Grant	97.042	07-BG-04-02-29-01-293	22,422
Total U.S. Department of Homeland Security			541,006
U.S. Department of Transportation			
Passed through Florida Department of Transportation			
Impaired Driving Enforcement	20.600	AOQ71	50,931
Teen Safety Outreach	20.600	AOP80	3,000
Occupant Protection Grant	20.600	AOQ77	26,100
Airport Layout Plan-Property Map	20.106	AIP#3-12-0001-02-2005	25,028
Airport Runway 13-31	20.106	AIP#3-12-0001-003-2006	794,533
SIG Multi-Use Path (Phase III)	20.205	412680-1-38-01	35,150
Bluff Road Pedestrian/Bike Path	20.205	221381-2-38-01	99,271
Total U.S. Department of Transportation			1,034,013
National Forest/Timber Products Trust Fund			
Passed through Florida Department of Banking and Finance			
National Forest Funds	10.665	n/a	17,044
Total National Forest/Timber Products Trust Fund			17,044
U.S. Department of Health & Human Services			
Passed through Florida Department of Revenue			
Child Support Enforcement Title IV-D CSE	93.563	n/a	31,909
Child Support Enforcement	93.563	T02-19	1,789
Total U.S. Department of Health & Human Services			33,698
Total Expenditures of Federal Awards			\$ 1,717,566

(Continued)

Franklin County, Florida
Schedule of Expenditures of
State Financial Assistance (Continued)
Year Ended September 30, 2007

State Financial Assistance Projects	CSFA Number	Contract/Grant Number	Expenditures
Florida Housing Finance Agency			
State Housing Initiatives Partnership (SHIP) Program	52.901	2005/2006	\$ 255,417
State Housing Initiatives Partnership (SHIP) Program	52.901	2006/2007	30,059
State Housing Initiatives Partnership (SHIP) Disaster Assistance	n/a	n/a	2,714
Total Florida Housing Finance Agency			288,190
Department of Transportation			
Aviation Development Grants			
Project # 41591419401 - Rehab Runway 13-31	55.004	AOB92	25,560
Project # 40972119401 - Airport Master Plan Update	55.004	AK702	3,072
Project # 42073219401 - Airport Equipment Purchase	55.004	AOL62	152,077
Project # 41908419401 - Airport Construct/Extend Entrance Road	55.004	AO271	673,028
Project # 41449119401 - Airport Relocate/Rehab Fuel Farm	55.004	ANV70	48,369
Project # 41604619401 - Airport Corporate Hangar/Office	55.004	AOB91	276,250
Project #41136115801 - SCOP - Co. Road 30A	55.009	AO721	432,072
Project # 41961515801 - CIGP - Lake Morality Road	55.008	AO716	387,344
Project # 42150815801 - CIGP - County Road 67	55.008	n/a	1,034,791
Total Department of Transportation			3,032,563
Department of Environmental Protection			
Alligator Point Beach Restoration (04FR1)	37.003	06FR1	42,644
Consolidated Solid Waste Management Grant	37.012	SC708	187,832
Fla. Rec. Dev. Assist/Carrabelle Recreation Park	37.017	F06005	86,642
Fla. Rec. Dev. Assist/Carrabelle Recreation Park	37.017	F7046	146,901
Total Department of Environmental Protection			464,019
Department of Health			
LP County EMS Grant	64.005	C5019	2,389
Total Department of Health			2,389
Department of Community Affairs			
Emergency Management Preparedness Grant	52.008	07BG-04-02-29-01-293	102,959
Disaster Relief Funding-Hurricane Dennis FEMA 1595	52.600	06-DN-@G-02-29-01-588	18,204
Disaster Relief-Hurricane Ivan FEMA 1551	52.600	05-PA-G=-02-29-02-585	17,322
Technical Assistance Plan Grant	52.028	07-DR-85-02-29-01-021	25,000
Total Department of Community Affairs			163,485
Department of State			
State Aid to Libraries	45.030	07-ST-91	66,084
Total Department of State			66,084
Department of Agriculture			
Mosquito Control-State	42.003	n/a	37,000
Total Department of Agriculture			37,000
The Executive Office of the Governor			
Office of Tourism, Trade & Economic Development			
SFD Industrial Park - Feasibility Study	31.008	OT06-109	23,315
Total Office of Tourism, Trade & Economic Development			23,315
Office of Court Administration			
Courthouse Facilities Grant	22.004	n/a	48,014
Total Office of Court Administration			48,014
Total Expenditures of State Financial Assistance			\$ 4,125,059

Franklin County, Florida
 Schedule of Findings and Questioned Costs
 Year Ended September 30, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting

Material weakness(es) identified? ___ yes X no

Significant deficiency(ies) identified not
 considered to be material weaknesses? X yes ___ none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards and State Financial Assistance

Internal control over major programs

Material weakness(es) identified? ___ yes X no

Significant deficiency(ies) identified not
 considered to be material weaknesses? ___ yes X none reported

Type of auditor's report issued on compliance
 for major programs: Unqualified

Any audit findings disclosed that are required
 to be reported in accordance with Circular A-133, Section
 .510(a) or Section 10.557, Rules of the Auditor General? ___ yes X no

Identification of major federal awards/state projects:

<u>CFDA/CSFA Number</u>	<u>Name of Federal Award/State Financial Assistance Project</u>
20.106	U.S. Department of Transportation Airport Improvement Grants
20.205	U.S. Department of Transportation Highway Planning and Construction
55.008	State of Florida Department of Transportation County Incentive Grant Programs
55.004	State of Florida Department of Transportation Airport Development Grants

Franklin County, Florida
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2007

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

Auditee qualified as low-risk auditee? ___ yes X no

Section II - Financial Statement Findings

07-01 Significant Audit Adjustments

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

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

07-02 Inadequate Design of Internal Controls

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

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

07-03 Need for Segregation of Duties

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

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

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 major federal programs or state financial assistance projects.

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

See independent auditor's report

Franklin County, Florida
Notes to Schedule of Expenditures of
Federal Awards and State Financial Assistance
Year Ended September 30, 2007

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

NOTE 3 – PASS-THROUGH AWARDS

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

NOTE 4 – LOANS OUTSTANDING

The County had the following Federal bonds payable outstanding at September 30, 2007:

U.S. Department of Agriculture – Rural Development

Bonds payable at September 30, 2006	\$ 338,000
Principal repayments	(107,000)
<hr/>	
Bonds payable at September 30, 2007	\$ 231,000

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

June 17, 2008

David W. Martin
Auditor General
G-74 Pepper Building
P.O. Box 1735
Tallahassee, Florida 32302

Dear Mr. Martin:

In response to the audit of Certified Public Accountant, Carr, Riggs & Ingram, of the Financial Statements of the Franklin County, Florida for the year ended September 30, 2007, my explanation or rebuttal is as follows:

RESPONSE TO INDEPENDENT AUDITOR'S MANAGEMENT LETTER

CURRENT YEAR RECOMMENDATIONS

FINDING: Accounting adjustments to conform to generally accepted accounting principles.

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

FINDING: Inadequate design of internal control over financial statement preparation

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

Sincerely,

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