

Franklin County, Florida  
Annual Financial Statements  
September 30, 2009

**BOARD OF COUNTY COMMISSIONERS**

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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, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Franklin County, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Franklin County, Florida as of September 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated, June 21, 2010, on our consideration of Franklin County, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 3 through 12, are not a required part of the basic financial statements but are 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 statements and schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of state financial assistance and findings and questioned costs are presented for the purpose of additional analysis, as required by Chapter 10.550, State of Florida, *Rules of the Auditor General* and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

June 21, 2010

## Management's Discussion and Analysis

## Management's Discussion and Analysis

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

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

### Financial Highlights

- The County's total net assets decreased \$894,763 or 1% from September 30, 2008, to September 30, 2009.
- During the year ended September 30, 2009, the financial statements show that the County's general fund expenditures exceeded revenues by \$2,717,005. Please note, however, that total expenditures in the general fund were less than budgeted amounts.
- The County's depreciable capital assets, net of accumulated depreciation, increased \$3,928,044 which represents an increase of 4% for the year.

### Nonfinancial Events

- The Rehabilitation of Runway 6-24 at the Apalachicola Airport is nearly complete. Funding for the \$750,000 project was provided by the Florida Department of Transportation.
- Several large projects completed in the current fiscal year were grant funded through the Florida Department of Transportation's Small County Outreach Program. The completed projects include: the Resurfacing of CR 300 – Gulf Beach Drive on St. George Island at a cost of \$1,837,643, the Resurfacing and Shoulder Improvements of CR 370 – Alligator Point Road on Alligator Point at a cost of \$2,399,255, and the Resurfacing of CR 376 – Airport Road in Carrabelle at a cost of \$310,419.
- In the current fiscal year, Franklin County completed several Boat Ramp Projects funded by the Florida Fish and Wildlife Conservation Commission's Boating Improvement Program. Any grant match requirement was met with the fees the County receives through the sale of Boat Registrations. The design and construction of the Eastpoint Boat Ramp on Patton Street was completed at a total cost of \$370,691. The ramp features a floating dock, paved parking area and environmentally friendly solar lighting. The Bluff Road Boat Ramp in Apalachicola was completed as well at a total cost of \$401,484. A second access Ramp was installed and the parking area was expanded and improved. Much of the Preliminary Engineering for the Ochlockonee Bay Boat Ramp is nearly complete – Phase II (Boat Ramp Construction) is set to begin in early next year and should be ready for use by the end of the fiscal year. The Ochlockonee Bay Boat Ramp Project Includes a new pier, new ramp, dredging, and paved parking area. The St. George Island Boat Ramp Project was also completed at an overall cost of \$870,134.
- The Federally funded 2.43 mile St. George Island Pedestrian/Bike Path extension project is nearly complete with a cost to date of \$693,978. The design work for this project

began over four years ago in Fiscal Year 2004/2005. This extension extends the existing bike path from 11<sup>th</sup> Street East to the State Park on the East End of the Island. Environmentally friendly solar lights illuminate the path.

- The State Funded Renovations to Vrooman Park in Eastpoint are now complete. The baseball fields were rehabilitated with new sod and clay base, new irrigation system, new well and pump, new restroom building and a lighted field for the pitching machine.
- Also completed in the current fiscal year was the State Funded Carrabelle Recreation Park, Kendrick Park – this multi-phase recreational complex features a walking path, five baseball fields, two playgrounds, football field, tennis court, basketball court, volleyball court, paved parking area, concession and restroom facilities.
- The gross taxable value for operating purposes certified by the Franklin County Property Appraiser on July 1, 2008 showed nearly a 497 million dollar decline in Franklin County's taxable value from 2007 to 2008. The commission was able to reduce the millage rate to an all-time low of 3.3149 mills in Fiscal Year 2008/2009. The \$11,925,136 in budgeted proceeds from property taxes in Fiscal Year 2008/2009 was \$2,263,402 less than the budgeted proceeds of \$14,188,538 in Fiscal Year 2007/2008.

## **Overview of the Financial Statements**

The basic financial statements consist of three components:

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

In addition, this report presents certain required supplementary information.

## **Government-wide Financial Statements**

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

- The *statement of net assets* provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the County.
- The *statement of activities* presents information showing how the County's net assets changed during the 2009 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 \$115 million at September 30, 2009, and \$116 million at September 30, 2008.

Net Assets						
	Governmental Activities		Business-type Activities		Total	
September 30,	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 24,769,044	\$ 23,656,535	\$ 1,710,932	\$ 1,690,424	\$ 26,479,976	\$ 25,346,959
Capital assets, net	98,463,696	97,203,406	958,453	610,010	99,422,149	97,813,416
<b>Total assets</b>	<b>123,232,740</b>	120,859,941	<b>2,669,385</b>	2,300,434	<b>125,902,125</b>	123,160,375
Current and other liabilities	2,179,001	2,194,071	1,165,756	1,397,728	3,344,757	3,591,799
Long-term liabilities	7,127,618	3,220,803	603,135	626,395	7,730,753	3,847,198
<b>Total liabilities</b>	<b>9,306,619</b>	5,414,874	<b>1,768,891</b>	2,024,123	<b>11,075,510</b>	7,438,997
Net assets invested in capital assets, net of related debt	97,399,682	95,842,189	831,552	559,923	98,231,234	96,402,112
Net assets – unrestricted	16,526,439	19,602,878	68,942	(283,612)	16,595,381	19,319,266
<b>Total net assets</b>	<b>\$113,926,121</b>	\$115,445,067	<b>\$ 900,494</b>	\$ 276,311	<b>\$114,826,615</b>	\$115,721,378

## Statement of Activities

The following schedule summarizes revenues and expenses for the years ended September 30, 2009 and 2008:

<b>Changes in Net Assets</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
<i>Year ended</i> September 30,	<b>2009</b>	2008	<b>2009</b>	2008	<b>2009</b>	2008
<b>Program revenues</b>						
Charges for services	<b>\$ 2,068,398</b>	\$ 2,342,564	<b>\$6,127,595</b>	\$4,546,297	<b>\$ 8,195,993</b>	\$ 6,888,861
Operating grants/contributions	<b>6,236,291</b>	4,271,586	<b>447,204</b>	590,856	<b>6,683,495</b>	4,862,442
Capital grants/contributions	<b>1,783,810</b>	1,720,892	<b>408,990</b>	28,048	<b>2,192,800</b>	1,748,940
<b>General revenues</b>						
Property taxes	<b>11,424,599</b>	13,745,707	-	-	<b>11,424,599</b>	13,745,707
Other taxes	<b>4,715,569</b>	4,559,240	-	-	<b>4,715,569</b>	4,559,240
Investment earnings	<b>287,442</b>	559,002	<b>8,182</b>	8,969	<b>295,624</b>	567,971
Other	<b>595,631</b>	565,760	<b>49,342</b>	-	<b>644,973</b>	565,760
Transfers	<b>(1,234,758)</b>	(1,289,394)	<b>1,234,758</b>	1,289,394	-	-
<b>Total revenues</b>	<b>25,876,982</b>	26,475,357	<b>8,276,071</b>	6,463,564	<b>34,153,053</b>	32,938,921
<b>Expenses</b>						
Program activities						
General						
government	<b>4,672,495</b>	4,263,591	-	-	<b>4,672,495</b>	4,263,591
Public safety	<b>8,203,972</b>	6,500,801	-	-	<b>8,203,972</b>	6,500,801
Physical						
environment	<b>1,845,590</b>	1,875,978	-	-	<b>1,845,590</b>	1,875,978
Transportation	<b>7,969,329</b>	4,612,165	-	-	<b>7,969,329</b>	4,612,165
Economic						
environment	<b>716,347</b>	702,847	-	-	<b>716,347</b>	702,847
Human services	<b>957,318</b>	945,247	-	-	<b>957,318</b>	945,247
Culture and recreation						
recreation	<b>1,302,532</b>	1,389,738	-	-	<b>1,302,532</b>	1,389,738
Court related	<b>1,669,310</b>	1,473,254	-	-	<b>1,669,310</b>	1,473,254
Interest and other charges	<b>59,035</b>	55,525	-	-	<b>59,035</b>	55,525
Business-type activities	-	-	<b>7,651,888</b>	7,067,772	<b>7,651,888</b>	7,067,772
<b>Total expenses</b>	<b>27,395,928</b>	21,819,146	<b>7,651,888</b>	7,067,772	<b>35,047,816</b>	28,886,918
Net increase (decrease)	<b>\$(1,518,946)</b>	\$ 4,656,211	<b>\$ 624,183</b>	\$ (604,208)	<b>\$ (894,763)</b>	\$4,052,003

## Financial Analysis of Individual Funds

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

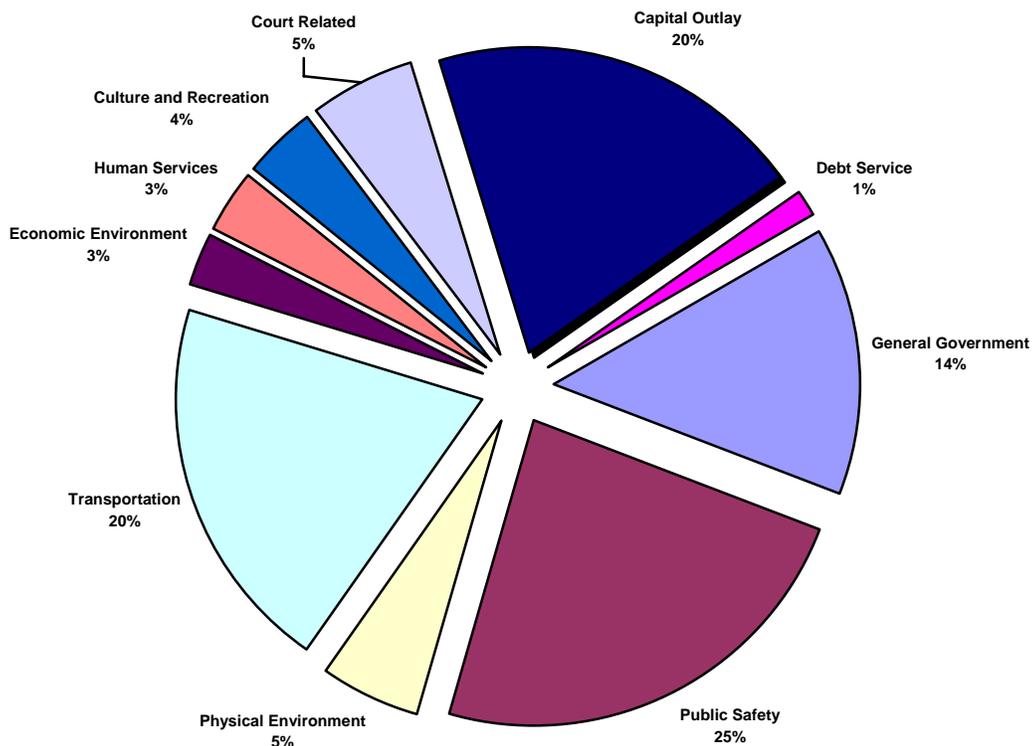
## Governmental Funds

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

<i>September 30,</i>	<b>2009</b>	2008
Total fund balance	\$ 22,693,891	\$ 21,614,768
Less reserved fund balance for:		
Landfill escrow	697,277	692,291
<b>Unreserved fund balance</b>	<b>\$ 21,996,614</b>	<b>\$ 20,922,477</b>

As of the end of fiscal year 2009, the County's governmental funds reported combined ending fund balances of \$22,693,891. Of this amount, *unreserved fund balance* is \$21,996,614 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, economic development CDBG, boating improvement and the hospital funds are reported as major funds.

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

## **Budget Variances in the Major Funds**

- Tax revenue of the general fund shows a negative budget variance of \$461,512. The County budget shows 100% of anticipated revenues with "less 5% of estimated revenues" being shown separately as a deduction. Additionally, taxpayers can take advantage of as much as 4% reduction in taxes by paying in the month of November. The Value Adjustment Board proceedings also had a negative impact on the county's budgeted ad valorem proceeds – with the current dire economic situation the local real estate market seemed to be in a free fall – thus an added difficulty in assigning a firm 2008 taxable value to properties.
- The general fund shows a negative budget variance of \$922,556 in the category of intergovernmental revenues. This variance is primarily caused by anticipated grant revenues in the current year not being earned.

- Tax revenue of the fines & forfeitures fund shows a negative budget variance of \$366,524. The County budget shows 100% of anticipated revenues with the “less 5% of estimated revenues” being shown separately as a deduction. Additionally, taxpayers can take advantage of as much as 4% reduction in taxes by paying in the month of November. The Value Adjustment Board proceedings also had a negative impact on the county’s budgeted ad valorem proceeds – with the current dire economic situation the local real estate market seemed to be in a free fall – thus an added difficulty in assigning a firm 2008 taxable value to properties.
- Expenditures in the state housing initiatives partnership program were less than budgeted by \$130,859. These unspent grant funds will be available in the 2009/2010 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**

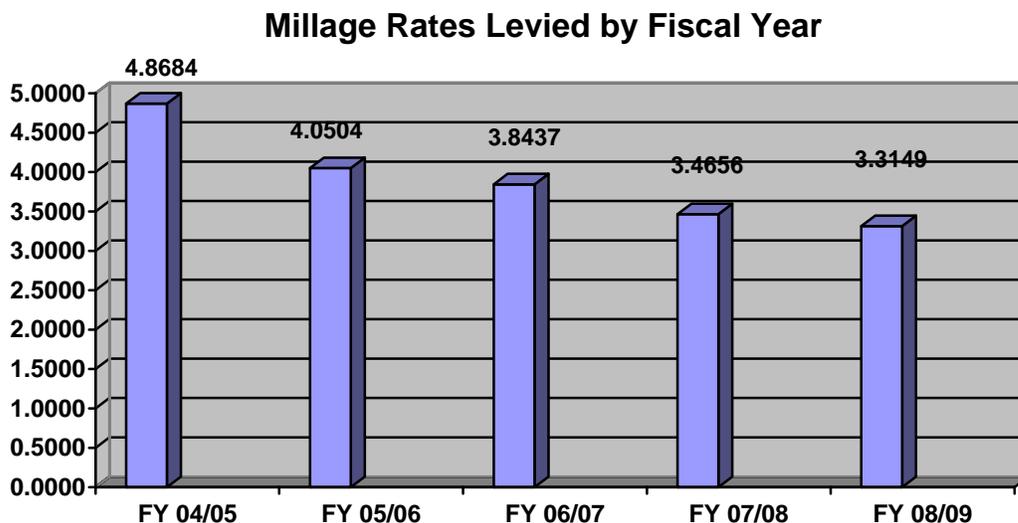
- As of September 30, 2009, the County incurred costs of \$1,997,321 for construction in progress. Below is a summary of some of the large projects that are still in progress at the end of the current fiscal year, many of these projects will take longer than one fiscal year to complete.
- Airport Projects: The airport utility system expansion, the new airport corporate hangar, airport drainage system repair, and the new 10,000 square foot maintenance hangar are all projects in progress and should be completed in the near future. Also, preliminary appraisals and surveys are complete to move forward with the acquisition of additional acreage for Runway 1-3.
- Road Projects: The budgeted 2008/2009 County Road Paving Project began in early 2009 and should be completed by year end of 2010. The last large scale county funded road paving project occurred in 2003/2004. The funding for the County Road Paving Project was provided by an accumulation of nearly five years of both Local Option Gas Tax Proceeds and contributions to the fund from Ad Valorem Taxes.
- Park Projects: Seafood Landing Park Project (Apalachicola), and the St. George Island Lighthouse Project. The Seafood Landing Park Project (Apalachicola) provides funding for a dock on Two Mile Channel, handicapped access ramp with guardrails, canoe/kayak launch, picnic pavilions, site lighting, landscaping, parking lot, observation deck and restrooms. The St. George Island Lighthouse Project provides funding for landscaping, brick walkways, covered benches, playground, handicapped restroom, irrigation system, lighting, signage and garbage receptacles. Completion of these park projects is anticipated in the near future.
- Pedestrian Traffic: The St. George Island multi-use path (Federally Funded) is now nearly complete. The phase III path extends on the south side of CR 300 from 11th Street to the St. George Island State Park. The path is lit by environmentally friendly solar lights.
- Boat Ramps: The design phase of the Ochlockonee Bay Boat Ramp Project is nearly complete and construction will begin early next year. The location will have a new ramp installed, dredged access, new floating dock and paving improvements to the parking area.

- Additional purchases which increased capital asset value include: a new F150 Ford Spray Truck for the Mosquito Control Department, a new Hino Dump Truck for the Road and Bridge Department, a new Sterling Acterra Knuckle Boom Truck and a new Chevrolet Crew Cab Pickup Truck for the Solid Waste Department provided by the Consolidated Solid Waste Grant. Revenues of the County's E911 Fund also funded a software update to the existing E911 System.
- The County took advantage of the lower market value of real estate and purchased three waterfront parcels in Eastpoint at a total cost of \$289,298. A grant with the Florida Department of Agriculture will fund improvements to the site in next fiscal year.
- In January of 2008, Franklin County began levying the 1% Discretionary Sales Surtax for Healthcare on all taxable purchases. The proceeds of the 1% Discretionary Sales Surtax is split between capital outlay and operating expenses for the local Weems Hospital. \$101,444 from the Capital Outlay portion of the proceeds funded the purchase of five acres in Carrabelle from the Franklin County School Board; these five acres will be the site of the new Carrabelle Urgent Care Facility and construction will begin in early next year.
- The County issued no new long-term debt during the 2009 fiscal year.

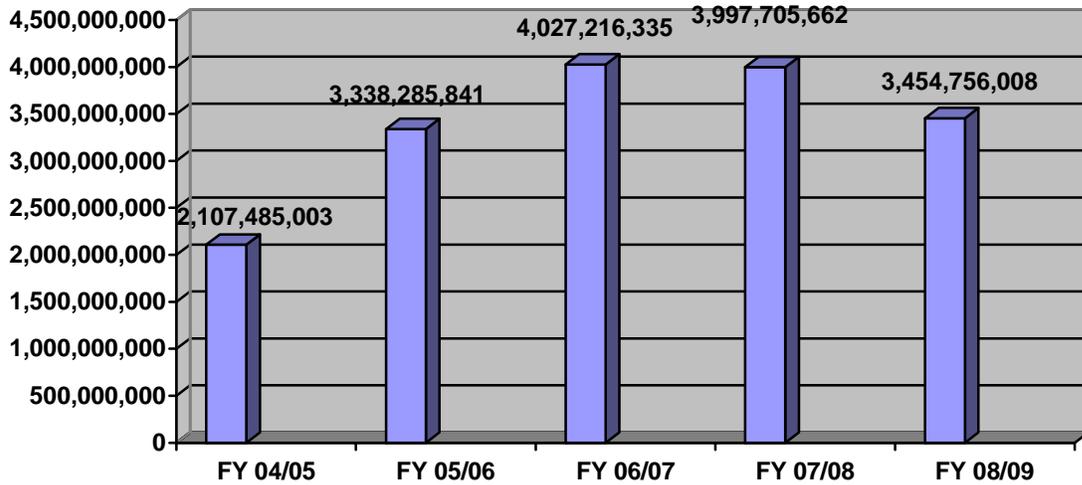
### Significant Economic Factors

#### Taxable Value of Property and Millage Rates

The County received approximately \$11.4 million in property taxes based on the certified taxable value of property in Franklin County. This represents a decrease from the prior year of \$2.3 million and is a result of a decrease in property values and a decrease in the assessed millage rate charged to County citizens as depicted in the following graphs.



### Certified Taxable Value by Fiscal Year



#### Requests for Information

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

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

## Basic Financial Statements

Franklin County, Florida  
Statement of Net Assets  
September 30, 2009

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 15,666,988	\$ 567,695	\$ 16,234,683
Equity in pooled cash	7,243,917	-	7,243,917
Accounts receivable, net	111,658	894,234	1,005,892
Notes receivable	114,162	-	114,162
Internal balances	(193,548)	193,548	-
Prepaid expenses	66,297	55,455	121,752
Due from other governments	1,759,570	-	1,759,570
Capital assets			
Nondepreciable	5,112,135	22,490	5,134,625
Depreciable, net	93,351,561	935,963	94,287,524
<b>Total assets</b>	<b>123,232,740</b>	<b>2,669,385</b>	<b>125,902,125</b>
<b>Liabilities and net assets</b>			
Accounts payable and accrued expenses	1,071,763	893,281	1,965,044
Due to other governments	81,479	-	81,479
Deferred revenue	793,468	127,788	921,256
Long-term liabilities			
Customer deposits	11,500	-	11,500
Due within one year			
Accrued compensated absences	119,296	23,677	142,973
Notes and leases payable	101,495	121,010	222,505
Due in more than one year			
Accrued compensated absences	440,779	93,673	534,452
Notes and leases payable	962,519	509,462	1,471,981
Net OPEB obligation	4,229,000	-	4,229,000
Landfill closure liability	1,495,320	-	1,495,320
<b>Total liabilities</b>	<b>9,306,619</b>	<b>1,768,891</b>	<b>11,075,510</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	97,399,682	831,552	98,231,234
Unrestricted	16,526,439	68,942	16,595,381
<b>Total net assets</b>	<b>\$ 113,926,121</b>	<b>\$ 900,494</b>	<b>\$ 114,826,615</b>

See accompanying notes

Franklin County, Florida  
Statement of Activities  
Year Ended September 30, 2009

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
<b>Primary government</b>							
Governmental activities							
General government	\$ 4,672,495	\$ 397,932	\$ 19,584	\$ -	\$ (4,254,979)	\$ -	\$ (4,254,979)
Public safety	8,203,972	838,809	294,727	-	(7,070,436)	-	(7,070,436)
Physical environment	1,845,590	459,925	277,227	-	(1,108,438)	-	(1,108,438)
Transportation	7,969,329	-	4,330,939	849,265	(2,789,125)	-	(2,789,125)
Economic environment	716,347	-	433,268	-	(283,079)	-	(283,079)
Human services	957,318	1,370	458,872	-	(497,076)	-	(497,076)
Culture and recreation	1,302,532	13,331	421,674	934,545	67,018	-	67,018
Court related	1,669,310	357,031	-	-	(1,312,279)	-	(1,312,279)
Interest on long-term debt	59,035	-	-	-	(59,035)	-	(59,035)
Total governmental activities	27,395,928	2,068,398	6,236,291	1,783,810	(17,307,429)	-	(17,307,429)
Business-type activities							
Hospital	7,651,888	6,127,595	447,204	408,990	-	(668,099)	(668,099)
Total business-type activities	7,651,888	6,127,595	447,204	408,990	-	(668,099)	(668,099)
Total primary government	<u>\$ 35,047,816</u>	<u>\$ 8,195,993</u>	<u>\$ 6,683,495</u>	<u>\$ 2,192,800</u>	<u>(17,307,429)</u>	<u>(668,099)</u>	<u>(17,975,528)</u>
General revenues							
Taxes							
Property taxes					11,424,599	-	11,424,599
Franchise and utility taxes					65,656	-	65,656
Local option gas tax					273,514	-	273,514
Sales tax and other shared revenues					4,376,399	-	4,376,399
Investment earnings					287,442	8,182	295,624
Miscellaneous					595,631	49,342	644,973
Total general revenues					17,023,241	57,524	17,080,765
Transfers					(1,234,758)	1,234,758	-
Total general revenues and transfers					15,788,483	1,292,282	17,080,765
Change in net assets					(1,518,946)	624,183	(894,763)
Net assets - beginning					115,445,067	276,311	115,721,378
Net assets - ending					<u>\$ 113,926,121</u>	<u>\$ 900,494</u>	<u>\$ 114,826,615</u>

See accompanying notes

Franklin County, Florida  
Balance Sheet  
Governmental Funds  
September 30, 2009

	General	Fines and Forfeitures	Local Option Gas Tax	State Housing Initiatives Partnership	Economic Development CDBG	Boating Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>								
Cash and cash equivalents	\$ 5,119,074	\$ 2,767,822	\$ 2,620,481	\$ 529,948	\$ 12,592	\$ 5,187	\$ 4,611,884	\$ 15,666,988
Equity in pooled cash	1,528,799	-	3,267,421	-	264,833	-	2,182,864	7,243,917
Due from other funds	816,173	118,650	-	4,525	-	542	48,749	988,639
Due from other governmental units	343,391	65,477	43,380	-	-	521,107	786,215	1,759,570
Accounts receivable, net	32,596	9,056	-	-	-	-	70,006	111,658
Notes receivable	-	-	-	114,162	327,900	-	-	442,062
Prepaid expenses	66,298	-	-	-	-	-	-	66,298
<b>Total assets</b>	<b>\$ 7,906,331</b>	<b>\$ 2,961,005</b>	<b>\$ 5,931,282</b>	<b>\$ 648,635</b>	<b>\$ 605,325</b>	<b>\$ 526,836</b>	<b>\$ 7,699,718</b>	<b>26,279,132</b>
<b>Liabilities and fund balances</b>								
<b>Liabilities</b>								
Customer deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,500	11,500
Vouchers payable	303,972	7,220	508,319	3,150	-	34,801	214,301	1,071,763
Due to other governmental units	22,623	1,217	-	-	-	-	57,639	81,479
Due to other funds	344,453	3,291	-	-	-	458,911	375,532	1,182,187
Deferred revenue	140,118	-	-	598,013	327,900	-	172,281	1,238,312
<b>Total liabilities</b>	<b>811,166</b>	<b>11,728</b>	<b>508,319</b>	<b>601,163</b>	<b>327,900</b>	<b>493,712</b>	<b>831,253</b>	<b>3,585,241</b>
<b>Fund balances</b>								
Reserved for landfill escrow	-	-	-	-	-	-	697,277	697,277
Unreserved								
Undesignated, reported in								
General fund	7,095,165	-	-	-	-	-	-	7,095,165
Special revenue funds	-	2,949,277	5,422,963	47,472	277,425	33,124	5,274,803	14,005,064
Capital projects	-	-	-	-	-	-	896,385	896,385
<b>Total fund balances</b>	<b>7,095,165</b>	<b>2,949,277</b>	<b>5,422,963</b>	<b>47,472</b>	<b>277,425</b>	<b>33,124</b>	<b>6,868,465</b>	<b>22,693,891</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,906,331</b>	<b>\$ 2,961,005</b>	<b>\$ 5,931,282</b>	<b>\$ 648,635</b>	<b>\$ 605,325</b>	<b>\$ 526,836</b>	<b>\$ 7,699,718</b>	

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	98,463,696
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.	(7,348,409)
Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds.	116,943
<b>Net assets of governmental activities</b>	<b>\$ 113,926,121</b>

See accompanying notes

Franklin County, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended September 30, 2009

	General	Fines and Forfeitures	Local Option Gas Tax	State Housing Initiatives Partnership	Economic Development CDBG	Boating Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>								
Taxes	\$ 6,319,219	\$ 4,830,690	\$ 260,143	\$ -	\$ -	\$ -	\$ 2,135,123	\$ 13,545,175
Licenses and permits	117,367	-	-	-	-	-	-	117,367
Intergovernmental	2,548,910	2,389	4,310,843	311,270	-	773,883	2,668,576	10,615,871
Fines and forfeitures	-	23,091	-	-	-	-	4,500	27,591
Charges for services	319,562	495,962	-	-	-	-	809,875	1,625,399
Investment earnings and other	337,440	12,826	49,634	9,288	2,637	820	475,373	888,018
<b>Total revenues</b>	<b>9,642,498</b>	<b>5,364,958</b>	<b>4,620,620</b>	<b>320,558</b>	<b>2,637</b>	<b>774,703</b>	<b>6,093,447</b>	<b>26,819,421</b>
<b>Expenditures</b>								
Current								
General government	3,459,181	34	-	-	-	-	21,825	3,481,040
Public safety	5,322,816	18,664	-	-	-	-	409,286	5,750,766
Physical environment	987,216	-	-	-	-	-	319,229	1,306,445
Transportation	-	-	2,933,810	-	-	-	1,937,481	4,871,291
Economic environment	68,034	-	-	382,893	-	-	207,000	657,927
Human services	642,190	-	-	-	-	-	157,603	799,793
Culture and recreation	412,791	-	-	-	-	-	566,264	979,055
Court related	26,076	743,762	-	-	-	-	551,641	1,321,479
Capital outlay	1,160,961	2,524	2,293,277	-	-	814,817	612,604	4,884,183
Debt service	280,238	-	-	-	-	-	76,000	356,238
<b>Total expenditures</b>	<b>12,359,503</b>	<b>764,984</b>	<b>5,227,087</b>	<b>382,893</b>	<b>-</b>	<b>814,817</b>	<b>4,858,933</b>	<b>24,408,217</b>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<b>(2,717,005)</b>	<b>4,599,974</b>	<b>(606,467)</b>	<b>(62,335)</b>	<b>2,637</b>	<b>(40,114)</b>	<b>1,234,514</b>	<b>2,411,204</b>
<b>Other financing sources (uses)</b>								
Transfers in	5,519,036	-	777,914	-	-	-	485,864	6,782,814
Transfers out	(1,642,896)	(4,877,272)	-	-	-	-	(1,497,404)	(8,017,572)
Reversion to State of Florida	-	-	-	-	-	-	(97,323)	(97,323)
<b>Total other financing sources (uses)</b>	<b>3,876,140</b>	<b>(4,877,272)</b>	<b>777,914</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,108,863)</b>	<b>(1,332,081)</b>
<b>Net change in fund balances</b>	<b>1,159,135</b>	<b>(277,298)</b>	<b>171,447</b>	<b>(62,335)</b>	<b>2,637</b>	<b>(40,114)</b>	<b>125,651</b>	<b>1,079,123</b>
<b>Fund balances - beginning</b>	<b>5,936,030</b>	<b>3,226,575</b>	<b>5,251,516</b>	<b>109,807</b>	<b>274,788</b>	<b>73,238</b>	<b>6,742,814</b>	<b>21,614,768</b>
<b>Fund balances - ending</b>	<b>\$ 7,095,165</b>	<b>\$ 2,949,277</b>	<b>\$ 5,422,963</b>	<b>\$ 47,472</b>	<b>\$ 277,425</b>	<b>\$ 33,124</b>	<b>\$ 6,868,465</b>	<b>\$ 22,693,891</b>

See accompanying notes

Franklin County, Florida  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
 Fund Balances of Governmental Funds to the Statement of Activities  
 Year Ended September 30, 2009

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

Net change in fund balances - total governmental funds (page 16)	\$	1,079,123
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of activities.		4,884,183
Depreciation expense on governmental capital assets included in the governmental activities in the statement of activities.		(3,873,199)
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.		297,203
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(4,178,988)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		272,732
<hr/>		
Change in net assets of governmental activities (page 14)	\$	(1,518,946)
<hr/>		

Franklin County, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual - General Fund  
Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 6,780,731	\$ 6,780,731	\$ 6,319,219	\$ (461,512)
Licenses and permits	85,000	85,000	117,367	32,367
Intergovernmental	3,173,184	3,471,466	2,548,910	(922,556)
Charges for services	292,020	292,020	319,562	27,542
Miscellaneous revenues	309,400	309,400	337,440	28,040
<b>Total revenues</b>	<b>10,640,335</b>	<b>10,938,617</b>	<b>9,642,498</b>	<b>(1,296,119)</b>
<b>Expenditures</b>				
Current				
General government	4,239,031	4,244,199	3,459,181	785,018
Public safety	5,397,675	5,411,915	5,322,816	89,099
Physical environment	1,116,580	1,116,580	987,216	129,364
Economic environment	54,482	68,067	68,034	33
Human services	744,043	750,314	642,190	108,124
Culture and recreation	500,059	498,817	412,791	86,026
Court related	32,150	32,150	26,076	6,074
Capital outlay	2,831,144	3,124,245	1,160,961	1,963,284
Debt service	344,213	344,213	280,238	63,975
Reserve for contingencies	1,288,227	1,268,371	-	1,268,371
<b>Total expenditures</b>	<b>16,547,604</b>	<b>16,858,871</b>	<b>12,359,503</b>	<b>4,499,368</b>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<b>(5,907,269)</b>	<b>(5,920,254)</b>	<b>(2,717,005)</b>	<b>3,203,249</b>
<b>Other financing sources (uses)</b>				
Transfers in	5,536,347	5,549,332	5,519,036	(30,296)
Transfers out	(1,638,778)	(1,638,778)	(1,642,896)	(4,118)
<b>Total other financing sources (uses)</b>	<b>3,897,569</b>	<b>3,910,554</b>	<b>3,876,140</b>	<b>(34,414)</b>
<b>Net change in fund balance</b>	<b>(2,009,700)</b>	<b>(2,009,700)</b>	<b>1,159,135</b>	<b>3,168,835</b>
<b>Fund balance - beginning</b>	<b>5,936,030</b>	<b>5,936,030</b>	<b>5,936,030</b>	<b>-</b>
<b>Fund balance - ending</b>	<b>\$ 3,926,330</b>	<b>\$ 3,926,330</b>	<b>\$ 7,095,165</b>	<b>\$ 3,168,835</b>

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, 2009

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 5,197,214	\$ 5,197,214	\$ 4,830,690	\$ (366,524)
Intergovernmental	1,800	1,800	2,389	589
Charges for services	405,261	405,261	495,962	90,701
Fines and forfeitures	22,000	22,000	23,091	1,091
Miscellaneous revenues	-	-	12,826	12,826
<b>Total revenues</b>	<b>5,626,275</b>	<b>5,626,275</b>	<b>5,364,958</b>	<b>(261,317)</b>
<b>Expenditures</b>				
Current				
General government	-	-	34	(34)
Public safety	15,133	15,133	18,664	(3,531)
Court related	1,185,822	1,185,822	743,762	442,060
Capital outlay	161,354	161,354	2,524	158,830
Reserve for contingencies	525,218	525,218	-	525,218
<b>Total expenditures</b>	<b>1,887,527</b>	<b>1,887,527</b>	<b>764,984</b>	<b>1,122,543</b>
<b>Excess of revenues over expenditures</b>	<b>3,738,748</b>	<b>3,738,748</b>	<b>4,599,974</b>	<b>861,226</b>
<b>Other financing sources (uses)</b>				
Transfers out	(4,970,516)	(4,970,516)	(4,877,272)	93,244
<b>Total other financing sources (uses)</b>	<b>(4,970,516)</b>	<b>(4,970,516)</b>	<b>(4,877,272)</b>	<b>93,244</b>
<b>Net change in fund balance</b>	<b>(1,231,768)</b>	<b>(1,231,768)</b>	<b>(277,298)</b>	<b>954,470</b>
<b>Fund balance - beginning</b>	<b>3,226,575</b>	<b>3,226,575</b>	<b>3,226,575</b>	<b>-</b>
<b>Fund balance - ending</b>	<b>\$ 1,994,807</b>	<b>\$ 1,994,807</b>	<b>\$ 2,949,277</b>	<b>\$ 954,470</b>

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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 279,782	\$ 279,782	\$ 260,143	\$ (19,639)
Intergovernmental	2,232,363	4,368,230	4,310,843	(57,387)
Miscellaneous revenues	70,000	70,000	49,634	(20,366)
<b>Total revenues</b>	<b>2,582,145</b>	<b>4,718,012</b>	<b>4,620,620</b>	<b>(97,392)</b>
<b>Expenditures</b>				
Current				
Transportation	235,000	2,370,867	2,933,810	(562,943)
Capital outlay	7,095,952	7,095,952	2,293,277	4,802,675
<b>Total expenditures</b>	<b>7,330,952</b>	<b>9,466,819</b>	<b>5,227,087</b>	<b>4,239,732</b>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<b>(4,748,807)</b>	<b>(4,748,807)</b>	<b>(606,467)</b>	<b>4,142,340</b>
<b>Other financing sources (uses)</b>				
Transfers in	777,914	777,914	777,914	-
<b>Total other financing sources (uses)</b>	<b>777,914</b>	<b>777,914</b>	<b>777,914</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>(3,970,893)</b>	<b>(3,970,893)</b>	<b>171,447</b>	<b>4,142,340</b>
<b>Fund balance - beginning</b>	<b>5,251,516</b>	<b>5,251,516</b>	<b>5,251,516</b>	<b>-</b>
<b>Fund balance - ending</b>	<b>\$ 1,280,623</b>	<b>\$ 1,280,623</b>	<b>\$ 5,422,963</b>	<b>\$ 4,142,340</b>

Franklin County, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual - State Housing Initiatives Partnership Fund  
Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 350,000	\$ 350,000	\$ 311,270	\$ (38,730)
Miscellaneous revenues	11,000	11,000	9,288	(1,712)
<b>Total revenues</b>	<b>361,000</b>	<b>361,000</b>	<b>320,558</b>	<b>(40,442)</b>
<b>Expenditures</b>				
Current				
Economic environment	667,950	667,950	382,893	285,057
<b>Total expenditures</b>	<b>667,950</b>	<b>667,950</b>	<b>382,893</b>	<b>285,057</b>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<b>(306,950)</b>	<b>(306,950)</b>	<b>(62,335)</b>	<b>244,615</b>
<b>Fund balance - beginning</b>	<b>109,807</b>	<b>109,807</b>	<b>109,807</b>	<b>-</b>
<b>Fund balance - ending</b>	<b>\$ (197,143)</b>	<b>\$ (197,143)</b>	<b>\$ 47,472</b>	<b>\$ 244,615</b>

Franklin County, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual - Economic Development Fund - CDBG  
Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Miscellaneous revenues	\$ 8,110	\$ 8,110	\$ 2,637	\$ (5,473)
Total revenues	8,110	8,110	2,637	(5,473)
<b>Expenditures</b>				
Reserve for contingencies	278,504	278,504	-	278,504
Total expenditures	278,504	278,504	-	278,504
<b>Excess (deficit) of revenues over (under) expenditures</b>	(270,394)	(270,394)	2,637	273,031
<b>Fund balance - beginning</b>	274,788	274,788	274,788	-
<b>Fund balance - ending</b>	\$ 4,394	\$ 4,394	\$ 277,425	\$ 273,031

Franklin County, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual - Boating Improvement Fund  
Year Ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 416,793	\$ 851,280	\$ 773,883	\$ (77,397)
Charges for services	418,515	418,515	-	(418,515)
Miscellaneous revenues	100	100	820	720
Total revenues	835,408	1,269,895	774,703	(495,192)
<b>Expenditures</b>				
Capital outlay	460,750	895,237	814,817	80,420
Total expenditures	460,750	895,237	814,817	80,420
<b>Excess (deficit) of revenues over (under) expenditures</b>	374,658	374,658	(40,114)	(414,772)
<b>Fund balance - beginning</b>	73,238	73,238	73,238	-
<b>Fund balance - ending</b>	\$ 447,896	\$ 447,896	\$ 33,124	\$ (414,772)

Franklin County, Florida  
Statement of Net Assets  
Proprietary Fund  
September 30, 2009

**Business-type Activities - Enterprise Fund**

	<b>Hospital</b>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 567,695
Accounts receivable, net	894,234
Due from other funds	193,548
Prepaid expenses	55,455
Total current assets	1,710,932
Noncurrent assets	
Capital assets	
Land	13,400
Buildings	233,452
Machinery and equipment	1,077,727
Construction in progress	9,090
Less allowance for depreciation	(375,216)
Capital assets (net of accumulated depreciation)	958,453
Total noncurrent assets	958,453
Total assets	2,669,385
<b>Liabilities</b>	
Current liabilities	
Accounts payable and accrued expenses	893,281
Deferred revenue	127,788
Accrued compensated absences - current	23,677
Leases payable - current	35,296
Notes payable - current	85,714
Total current liabilities	1,165,756
Noncurrent liabilities	
Accrued compensated absences	93,673
Leases payable	91,605
Notes payable	417,857
Total noncurrent liabilities	603,135
Total liabilities	1,768,891
Net assets	
Invested in capital assets, net of related debt	831,552
Unrestricted	68,942
Total net assets	\$ 900,494

Franklin County, Florida  
Statement of Revenues, Expenses, and Changes in Net Assets  
Proprietary Fund  
Year Ended September 30, 2009

**Business-type Activities - Enterprise Fund**

	<b>Hospital</b>
<b>Operating revenues</b>	
Charges for services	\$ 6,127,595
Other	49,342
<b>Total revenues</b>	<b>6,176,937</b>
<b>Operating expenses</b>	
Employee leasing	3,178,319
Payroll taxes	210,332
Advertising	24,362
Communications	720,817
Clinical supplies	57,747
Contractual services	72,534
Depreciation	168,333
Insurance	346,684
License and permits	10,714
Minor equipment	67,649
Other current charges	169,317
Other patient related costs	108,982
Professional services	2,102,612
Repairs and maintenance	149,004
Supplies	91,217
Training and development	9,225
Travel	7,510
Utilities	133,762
<b>Total operating expenses</b>	<b>7,629,120</b>
<b>Operating income (loss)</b>	<b>(1,452,183)</b>
<b>Nonoperating revenues (expenses)</b>	
Interest income	8,182
Capital contributions	11,214
Operating contributions	447,204
Capital grants	397,776
Interest expense and amortization of fiscal costs	(22,768)
<b>Total nonoperating revenues (expenses)</b>	<b>841,608</b>
<b>Income (loss) before transfers</b>	<b>(610,575)</b>
<b>Transfers in</b>	<b>1,234,758</b>
<b>Change in net assets</b>	<b>624,183</b>
<b>Net assets - beginning</b>	<b>276,311</b>
<b>Net assets - ending</b>	<b>\$ 900,494</b>

Franklin County, Florida  
Statement of Cash Flows  
Proprietary Fund  
Year Ended September 30, 2009

**Business-type Activities - Enterprise Fund**

	<b>Hospital</b>
<b>Cash flows from operating activities</b>	
Receipts from customers and others	\$ 5,697,931
Payments to suppliers	(3,886,013)
Payments to employees	(3,650,319)
<hr/>	
Net cash used in operating activities	(1,838,401)
<hr/>	
<b>Cash flows from noncapital financing activities</b>	
Grants received	397,776
Contributions	458,418
Transfers from other funds	1,234,758
<hr/>	
Net cash provided by noncapital financing activities	2,090,952
<hr/>	
<b>Cash flows from capital and related financing activities</b>	
Acquisition of capital assets	(516,777)
Proceeds from long-term debt	100,085
Repayment of leases	(108,985)
Interest paid on long-term debt	(22,768)
<hr/>	
Net cash used in capital and related financing activities	(548,445)
<hr/>	
<b>Cash flows from investing activities</b>	
Interest received	8,182
Net cash provided by investing activities	8,182
<hr/>	
<b>Decrease in cash and cash equivalents</b>	(287,712)
<hr/>	
<b>Cash and cash equivalents - beginning</b>	855,407
<hr/>	
<b>Cash and cash equivalents - ending</b>	<b>\$ 567,695</b>
<hr/> <hr/>	

(Continued)

Franklin County, Florida  
Statement of Cash Flows  
Proprietary Fund (Continued)  
Year Ended September 30, 2009

**Business-type Activities - Enterprise Fund**

	<b>Hospital</b>
<b>Reconciliation of operating income (loss)</b>	
<b>to net cash used in operating activities</b>	
Operating income (loss)	\$ (1,452,183)
Adjustments to reconcile operating income (loss) to net cash used in operating activities	
Depreciation	168,333
(Increase) decrease in assets	
Accounts receivables, net	(143,165)
Due from other funds	(178,652)
Due from other governments	6,780
Prepaid expenses	(3,401)
Deposits on assets	10,218
Increase (decrease) in liabilities	
Compensated absences	7,775
Accounts payable	27,751
Accrued expenses	(114,450)
Deferred revenue	(167,407)
<b>Net cash used in operating activities</b>	<b>\$ (1,838,401)</b>

Franklin County, Florida  
Statement of Fiduciary Net Assets - Fiduciary Funds  
September 30, 2009

	<b>Agency Funds</b>
<hr/>	
<b>Assets</b>	
Cash and cash equivalents	\$ 229,382
<u>Total assets</u>	<u>\$ 229,382</u>
<b>Liabilities</b>	
Due to individuals	\$ 35,835
Due to other governments	167,846
Installments	24,291
Deposits	1,410
<u>Total liabilities</u>	<u>\$ 229,382</u>

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

The financial statements of Franklin County, Florida (County) have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. 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 U.S. GAAP for governmental units.

***Reporting Entity***

The County, located in Northwest Florida, is a political subdivision of the State of Florida and provides services to approximately 11,000 residents in many areas including general government, public safety, physical environment, transportation, economic environment, human services, and culture and recreation. It is governed by a five-member elected Board of County Commissioners (Board), which derives its authority 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 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 and fiduciary funds for which the primary government is financially accountable.

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

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

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

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

***Fund Financial Statements***

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

Notes to Financial Statements

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

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

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

***Governmental Funds***

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

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

Because of their spending measurement focus, expenditure recognition for governmental fund types 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

Notes to Financial Statements

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

are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets. 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 is used to account for all resources traditionally associated with governments except those required to be accounted for in other funds.
- Fines and forfeitures – This is used to account for the fines and ad valorem taxes earmarked for law enforcement and corrections.
- Local option gas tax – This fund is used to account for the County’s local option gas tax revenue earmarked for road construction and improvements.
- State housing initiatives partnership – This fund is used to account for the activity in the County’s state housing initiatives partnership program (SHIP).
- Economic development - CDBG – This fund is used to account for Franklin County’s Revolving Loan Program that was funded by a community development block grant.

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

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

***Proprietary Major Funds***

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

***Other Fund Types***

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

***Noncurrent Governmental Assets/Liabilities***

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

***Budgets***

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

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

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

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

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

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

amendments have been applied to original budgetary data.

***Investments***

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

***External Investment Pools***

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

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

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

***Cash and Cash Equivalents***

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

***Restricted and Unrestricted Resources***

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

***Accounts Receivable***

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

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

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

Notes to Financial Statements

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

***Capital Assets***

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

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

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

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

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

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

***Deferred Revenues***

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

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

***Compensated Absences***

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

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

***Property Taxes***

Under Florida law, the assessment of all properties and the collection of all County, Municipal and School Board property taxes are consolidated in the offices of the Property Appraiser and Tax Collector. The laws of the State regulating tax assessment are also designed to assure a consistent property valuation method statewide. Florida Statutes permit counties to levy property taxes at a rate of up to 10 mills for general operations. The millage rate assessed by the County for the year ended September 30, 2009 was 3.3149 mills.

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

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

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

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

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

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

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

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

***Use of Estimates***

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

***Encumbrances***

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

***Landfill Closure Costs***

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

***Subsequent Events***

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

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

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

The governmental fund balance sheet includes a reconciliation between *fund balances - total governmental funds* and *net assets of governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, "long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds." The details of this \$7,348,409 difference are as follows:

## Notes to Financial Statements

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

Capital leases payable	\$ 1,064,014
Compensated absences	560,075
Net OPEB obligation	4,229,000
Landfill closing costs	1,495,320
<hr/>	
Net adjustment to reduce <i>fund balances - total governmental funds</i> to arrive at <i>net assets of governmental activities</i>	\$ 7,348,409

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 \$98,463,696 difference are as follows:

Cost of capital assets	\$ 139,814,144
Less: accumulated depreciation	(41,350,448)
<hr/>	
Net adjustment to increase <i>fund balances - total governmental funds</i> to arrive at <i>net assets of governmental activities</i>	\$ 98,463,696

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 \$116,943 difference are as follows:

Deferred revenues	\$ 444,844
Notes receivable	(327,901)
<hr/>	
Net adjustment to increase <i>fund balances - total governmental funds</i> to arrive at <i>net assets of governmental activities</i>	\$ 116,943

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 \$297,203 difference are as follows:

Principal repayments:	
Notes payable and capital leases	\$ 297,203
<hr/>	
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	\$ 297,203

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 (\$4,178,988) difference are as follows:

Compensated absences	\$ 92,887
Loss on disposals	(23,427)
Change in deferred revenue	19,584
Change in OPEB liability	(4,229,000)
Landfill costs	(39,032)
<hr/>	
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	\$ (4,178,988)

**NOTE 3 – CASH AND INVESTMENTS**

***Deposits Policies***

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

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

***Investments Policies***

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

The Local Government Surplus Funds Trust Fund (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.

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

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

Direct obligations of the United States Treasury.

Federal agencies and instrumentalities.

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

***Credit Risks***

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

***Interest Rate Risks***

At September 30, 2009, the County did not hold any investments other than those disclosed below that were considered to be an interest rate risk.

***Custodial Risks***

At September 30, 2009, the County held deposits or investments that were considered to be a custodial risk. See below.

***Concentration of Credit Risk***

At September 30, 2009, the County did not hold any investments that were considered to be a concentration of credit risk.

## Notes to Financial Statements

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

At September 30, 2009, the City's cash and investments consisted of the following:

	<b>Credit Rating</b>	<b>Current</b>	<b>0-5 Years</b>	<b>5-10 Years</b>	<b>Total Carrying Amount</b>
Cash including money market fund	(1)	\$ 16,234,683	\$ -	\$ -	\$ 16,234,683
Local Government Surplus Trust Fund Pool		7,243,917	-	-	7,243,917
<b>Total</b>		<b>\$ 23,478,600</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 23,478,600</b>

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

**Local Government Surplus Trust Fund Pool**

The LGIP portion of the pool (\$6,698,393) is considered a SEC 2a7-like fund and the account balance is the fair value of the investment.

The Fund B portion (\$545,524) is accounted for as a fluctuating NAV pool.

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

Interest rate risk – The weighted average days to maturity of the LGIP at September 30, 2009 was 33 days. The weighted average life of Fund B at September 30, 2009 was 6.69 years.

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

Accounts receivables at September 30, 2009, consisted of the following:

<b>Governmental Activities - Accounts Receivable</b>	<b>General</b>	<b>Fines and Forfeitures</b>	<b>State Housing Initiatives Partnership</b>	<b>Economic Development</b>	<b>Other Govern- Mental Funds</b>	<b>Total</b>
Accounts receivable	\$32,596	\$ 9,056	\$ -	\$ -	\$ 70,006	\$111,658
Notes receivable	-	-	114,162	327,900	-	442,062
(Allowance for doubtful accounts)	-	-	-	(327,900)	-	(327,900)
Accounts receivable, net	\$32,596	\$ 9,056	\$ 114,162	\$ -	\$ 70,006	\$225,820

## Notes to Financial Statements

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

<b>Business-type Activities - Accounts Receivable</b>	<b>Hospital</b>
Accounts receivable (Allowance for doubtful accounts)	\$ 7,368,036 (6,473,802)
Accounts receivable, net	\$ 894,234

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

Internal balances at September 30, 2009, consist of the following:

<b>Fund</b>	<b>Interfund Receivables</b>	<b>Interfund Payables</b>
General	\$ 816,173	\$ 344,453
Special revenue		
Fines and forfeitures	118,650	3,291
County road and bridge	15,929	270
Fire protection	-	20,930
Affordable housing	4,525	-
Mosquito control	270	21,355
Law enforcement educational trust	480	-
Hospital trust	-	193,548
Boating improvement	542	458,911
Airport	-	137,737
Clerk's fine and forfeitures	26,471	1,673
Clerk's modernization trust	5,599	-
Property Appraiser's special revenue funds	-	19
Total special revenue	172,466	837,734
Enterprise - hospital	193,548	-
Total	\$ 1,182,187	\$ 1,182,187

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

## Notes to Financial Statements

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

<b>Fund transferred from</b>	<b>Fund transferred to</b>	<b>Amount</b>	<b>Purpose</b>
Fines and forfeitures	General	\$ 4,877,272	To fund the Sheriff budget.
General	Local option gas tax	777,914	Transfer of general revenue for road construction.
General	Nonmajor governmental funds	485,864	Purchase of equipment, operation of public library, and other allowable expenditures.
Nonmajor governmental funds	General	641,763	To record the budgeted transfers from the landfill fund and tourist development, and between special revenue funds and constitutional officers.
Nonmajor governmental funds	Hospital	859,757	Transfer of ½ cent sales tax
General	Hospital	375,000	Transfer of operating cash
<b>Total</b>		<b>\$8,017,570</b>	

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the governmental activities for the year ended September 30, 2009, is as follows:

	<b>September 30, 2008</b>	<b>Increase</b>	<b>Decrease</b>	<b>September 30, 2009</b>
<b>Capital assets not being depreciated</b>				
Land	\$ 2,696,707	\$ 427,197	\$ -	\$ 3,123,904
Construction in progress	4,743,829	560,938	(3,316,536)	1,988,231
<b>Total capital assets not being depreciated</b>	<b>7,440,536</b>	<b>988,135</b>	<b>(3,316,536)</b>	<b>5,112,135</b>
<b>Capital assets being depreciated</b>				
Buildings	10,657,906	210,078	-	10,867,984
Improvements other than buildings	5,022,384	1,227,783	-	6,250,167
Machinery and equipment	12,479,902	655,136	(113,213)	13,021,825
Infrastructure	99,187,713	5,374,320	-	104,562,033
<b>Total capital assets being depreciated</b>	<b>127,347,905</b>	<b>7,467,317</b>	<b>(113,213)</b>	<b>134,702,009</b>

## Notes to Financial Statements

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

	September 30, 2008	Increase	Decrease	September 30, 2009
Accumulated depreciation				
Buildings	\$ 3,442,886	\$ 212,736	\$ -	\$ 3,655,622
Improvements other than buildings	1,738,903	164,121	-	1,903,024
Machinery and equipment	9,268,363	1,050,035	(107,786)	10,210,612
Infrastructure	23,134,883	2,446,307	-	25,581,190
<b>Total accumulated depreciation</b>	<b>37,585,035</b>	<b>3,873,199</b>	<b>(107,786)</b>	<b>41,350,448</b>
<b>Capital assets being depreciated - net</b>	<b>89,762,870</b>	<b>3,594,118</b>	<b>(5,427)</b>	<b>93,351,561</b>
Total governmental activities' capital assets (net of accumulated depreciation)	\$ 97,203,406	\$ 4,582,253	\$ (3,321,963)	\$ 98,463,696

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

General government	\$ 182,547
Court related	38,675
Public safety	448,261
Physical environment	299,602
Transportation	2,700,208
Economic environment	2,600
Human services	68,574
Culture and recreation	132,732
<b>Total depreciation expense - governmental activities</b>	<b>\$ 3,873,199</b>

Capital asset activity for the business-type activities for the year ended September 30, 2009, is as follows:

	September 30, 2008	Increase	Decrease	September 30, 2009
Capital assets not being depreciated				
Land	\$ 13,400	\$ -	\$ -	\$ 13,400
Construction in progress	-	9,090	-	9,090
<b>Total capital assets not being depreciated</b>	<b>13,400</b>	<b>9,090</b>	<b>-</b>	<b>22,490</b>
Capital assets being depreciated				
Buildings	233,452	-	-	233,452
Machinery and equipment	570,040	507,687	-	1,077,727
<b>Total capital assets being depreciated</b>	<b>803,492</b>	<b>507,687</b>	<b>-</b>	<b>1,311,179</b>

Franklin County, Florida  
Notes to Financial Statements

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

	September 30, 2008	Increase	Decrease	September 30, 2009
Less accumulated depreciation				
Buildings	\$ 17,519	\$ 161,531	\$ -	\$ 179,050
Machinery and equipment	189,363	6,803	-	196,166
Total accumulated depreciation	206,882	168,334	-	375,216
Capital assets being depreciated - net	596,610	339,353	-	935,963
Total governmental activities' capital assets (net of accumulated depreciation)	\$ 610,010	\$ 348,443	\$ -	\$ 958,453

**NOTE 7 – LONG-TERM DEBT**

Long-term debt of the County's governmental activities for the year ended September 30, 2009, is as follows:

	Balance September 30, 2008	Additions	Deductions	Balance September 30, 2009	Due Within One Year
Loan to purchase lights for Carabelle, payable in annual payments of \$93,310 including interest at 3.95% maturing December 2011.	\$ 325,712	\$ -	\$ 261,429	\$ 64,283	\$ 64,283
Loan to purchase Lombardi property, payable in monthly payments of \$6,333 including interest at 5.68% maturing April 2028.	1,035,505	-	35,774	999,731	37,212
Long-term landfill closure and postclosure liability, see note 12.	1,456,288	39,032	-	1,495,320	-
Liability for compensated absences	652,962	-	92,887	560,075	119,296
<b>Total</b>	<b>\$ 3,470,467</b>	<b>\$ 39,032</b>	<b>\$ 390,090</b>	<b>\$ 3,119,409</b>	<b>\$ 220,791</b>

## Notes to Financial Statements

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

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

Amount due during year ending September 30,	Note Payable/Carrabelle Lights		
	Principal	Interest	Total
2010	\$ 64,283	\$ 3,651	\$ 67,934
Total	\$ 64,283	\$ 3,651	\$ 67,934

Amount due during year ending September 30,	Note Payable/Lombardi Property		
	Principal	Interest	Total
2010	\$ 37,212	\$ 38,788	\$ 76,000
2011	38,708	37,292	76,000
2012	40,263	35,737	76,000
2013	41,881	34,119	76,000
2014	43,564	32,436	76,000
2015-2019	245,534	134,466	380,000
2020-2024	299,002	80,998	380,000
2025-2028	253,567	18,769	272,336
Total	\$ 999,731	\$ 412,605	\$ 1,412,336

Long-term debt of the County's business-type activities for the year ended September 30, 2009, is as follows:

	Balance September 30, 2008	Additions	Deductions	Balance September 30, 2009	Due Within One Year
Office of Tourism, Trade, and Economic Development - loan #1 payable in quarterly payments of \$11,111 plus interest at 3%. Matures May 2015.	\$ 289,286	\$ -	\$ (42,857)	\$ 246,429	\$ 42,857
Office of Tourism, Trade, and Economic Development - loan #2 payable in quarterly payments of \$11,111 plus interest at 3%. Matures August 2015.	300,000	-	(42,857)	257,143	42,857

## Notes to Financial Statements

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

	Balance September 30, 2008	Additions	Deductions	Balance September 30, 2009	Due Within One Year
Popular Leasing - sleep scanner lease payable in monthly payments of \$715.72 including interest at 9.25%.	\$ 4,181	\$ -	\$ (4,181)	\$ -	\$ -
GE - copier lease payable in monthly payments of \$744 including interest at 7%.	22,282	-	(8,271)	14,011	7,504
Popular Leasing – medical night cabinet lease payable in monthly payments of \$259 including interest at 10.8%.	9,710	-	(2,105)	7,605	2,344
NEC Financial Services – telephone system lease payable in monthly payments of \$662 including interest at 13.01%.	13,914	-	(6,505)	7,409	7,409
Olympus – Colonoscope lease payable in monthly payments of \$1,731 including interest at 14%.	-	74,353	(862)	73,491	11,163
Wells Fargo – Endoscope lease payable in monthly payments of \$762 including interest at 4%.	-	25,732	(1,347)	24,385	6,876
Liability for compensated absences	109,575	7,775	-	117,350	23,677
<b>Total</b>	<b>\$ 748,948</b>	<b>\$ 107,860</b>	<b>\$ (108,985)</b>	<b>\$ 747,823</b>	<b>\$ 144,687</b>

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

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

Amount due during year ending September 30,	OTTED Loan #1		Total	OTTED Loan #2		Total
	Principal	Interest		Principal	Interest	
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	42,857	3,054	45,911	42,857	3,375	46,232
2014	42,858	1,768	44,626	42,857	2,090	44,947
2015	32,143	512	32,655	42,858	833	43,691
<b>Total notes payable</b>	<b>\$ 246,429</b>	<b>\$ 22,178</b>	<b>\$ 268,607</b>	<b>\$ 257,143</b>	<b>\$ 24,007</b>	<b>\$ 281,150</b>

## Notes to Financial Statements

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

Amount due during year ending September 30,	Copier			Night Cabinet		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 7,504	\$ 768	\$ 8,272	\$ 2,344	\$ 708	\$ 3,052
2011	6,507	191	6,698	2,610	442	3,052
2012	-	-	-	2,651	401	3,052
Total	\$ 14,011	\$ 959	\$ 14,970	\$ 7,605	\$ 1,551	\$ 9,156

Amount due during year ending September 30,	Telephone			Colonoscope		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 7,409	\$ 535	\$ 7,944	\$ 11,163	\$ 9,614	\$ 20,777
2011	-	-	-	12,834	7,942	20,776
2012	-	-	-	14,756	6,021	20,777
2013	-	-	-	16,965	3,811	20,776
2014	-	-	-	17,773	1,271	19,044
Total	\$ 7,409	\$ 535	\$ 7,944	\$ 73,491	\$ 28,659	\$ 102,150

Amount due during year ending September 30,	Endoscope		
	Principal	Interest	Total
2010	\$ 6,876	\$ 741	\$ 7,617
2011	8,572	568	9,140
2012	8,937	203	9,140
Total	\$ 24,385	\$ 1,512	\$ 25,897

Total cost of equipment under capital leases at September 30, 2009 is \$160,117.

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

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

## Notes to Financial Statements

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

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

**Funding Policy**

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

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

	<b>October 1, 2008 Through June 30, 2009</b>	<b>July 1, 2009 Through September 30, 2009</b>
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%

## Notes to Financial Statements

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

Contribution rates equal actuarial determined rates. During the year ended September 30, 2009, total payroll for all employees and the retirement contributions for all employees covered by FRS were as follows:

	<b>Covered Payroll</b>	<b>Retirement Contributions</b>
Board of County Commissioners	\$ 2,104,633	\$ 225,538
Clerk of the Circuit Court	683,919	78,053
Sheriff	3,036,891	551,905
Property Appraiser	438,955	46,096
Tax Collector	289,986	35,080
Supervisor of Elections	147,450	19,968
<b>Total</b>	<b>\$ 6,701,834</b>	<b>\$ 956,640</b>

The County's contributions to the Plan for the years ended September 30, 2009, 2008 and 2007 were \$956,640, \$967,676 and \$1,015,642 respectively, which equal the required contributions. For the year ended September 30, 2009, retirement contributions represent 14% of the County's total covered payroll.

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

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

Plan Description

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

## Notes to Financial Statements

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

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

Funding Policy

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

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

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

Annual OPEB Cost and Net OPEB Obligation

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

Description	Total
Normal cost (service cost for one year)	\$ 2,361,000
Amortization of unfunded actuarial accrued liability	2,186,000
Annual required contribution	4,547,000
Interest on net OPEB obligation	(7,000)
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	4,540,000
Contribution toward the OPEB cost	311,000
Increase in net OPEB obligation	4,229,000
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	\$ 4,229,000

## Notes to Financial Statements

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

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2009 was as follows:

Year ending September 30,	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2007	N/A	N/A	N/A
2008	N/A	N/A	N/A
2009	\$ 4,547,000	7%	\$ 4,229,000

Funding Status and Funding Progress

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

Actuarial Methods and Assumptions

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

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

Notes to Financial Statements

**NOTE 10 – FUND EQUITY**

**Reserved Fund Equity**

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

Funds	Purpose	Amount
Board of County Commissioners Special revenue	Landfill escrow	\$ 697,277
Total		\$ 697,277

**NOTE 11 – RISK MANAGEMENT**

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

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

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

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

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

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

**NOTE 11 – RISK MANAGEMENT (CONTINUED)**

- Public officials' liability
- Accidental death and dismemberment

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

**NOTE 12 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**

The County maintains a special revenue fund for its landfill management escrow account to ensure the availability of financial resources for closing the landfill. The escrow account balance is \$697,277 at September 30, 2009. 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 \$1,495,320 amount reported as landfills closure and postclosure care liability at September 30, 2009 (see note 7), represents the portion of costs to be incurred and reported as a liability to-date based on the use of 56% of the Class I landfill estimated capacity and 100% of the Class III (original) and 12% of the Class III (expansion) landfill estimated capacity. Total estimated costs are projected at \$680,123 for closure and \$2,427,970 for postclosure care at current prices. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The Board follows GASB Statement No. 18 entitled *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*.

**NOTE 13 – LITIGATION AND CONTINGENT LIABILITIES**

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

**NOTE 14 – LEASE OF FRANKLIN COUNTY AIRPORT**

The County leases out the Franklin County Airport under a twenty-year lease expiring in the year 2012, with up to four renewal options available aggregating an additional twenty-five years. The lessee paid the County the negotiated sum of \$1,500 monthly for hangar rental and parking space based on the terms of the lease for the year ended September 30, 2009. The County also receives five cents per gallon for all aviation fuel sold at the airport and 5% of the net monthly rental for the area utilized for T-hangars.

**NOTE 15 – LOCAL OPTION GAS TAX**

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

## Required Supplementary Information

Franklin County, Florida  
 Required Supplementary Information  
 September 30, 2009

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Liabilities (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
October 1, 2007	N/A	N/A	N/A	N/A	N/A	N/A
October 1, 2008	N/A	N/A	N/A	N/A	N/A	N/A
October 1, 2009	-	\$27,320,000	\$27,320,000	0.0%	6,567,000	416%

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

Fiscal Year Ended September 30,	Actual Contribution	Annual Required Contribution	Percentage Contributed
2007	N/A	N/A	N/A
2008	N/A	N/A	N/A
2009	\$ 311,000	\$ 4,547,000	7%

## Combining Financial Statements

Franklin County, Florida  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2009

	Special Revenue					
	County Road and Bridge	911 Trust	Landfill	Sheriff's Special Revenue	Pier	Fire Protection
<b>Assets</b>						
Cash and cash equivalents	\$ 44,664	\$ 269,633	\$ 260,590	\$ 83,709	\$ 1,206,540	\$ 46,107
Equity in pooled cash	59,245	-	697,277	-	442,253	-
Due from other funds	15,929	-	-	-	-	-
Due from other governmental units	202,701	18,861	-	1,032	-	-
Accounts receivable, net	4,515	-	59,177	-	-	2,864
<b>Total assets</b>	<b>\$ 327,054</b>	<b>\$ 288,494</b>	<b>\$ 1,017,044</b>	<b>\$ 84,741</b>	<b>\$ 1,648,793</b>	<b>\$ 48,971</b>
<b>Liabilities and fund balances</b>						
<b>Liabilities</b>						
Customer deposits	\$ -	\$ -	\$ 11,500	\$ -	\$ -	\$ -
Vouchers payable	53,336	3,002	23,254	-	-	28,041
Due to other governmental units	41	-	-	-	-	-
Due to other funds	270	-	-	-	-	20,930
Deferred revenue	-	172,281	-	-	-	-
<b>Total liabilities</b>	<b>53,647</b>	<b>175,283</b>	<b>34,754</b>	<b>-</b>	<b>-</b>	<b>48,971</b>
<b>Fund balances</b>						
Reserved for landfill escrow	-	-	697,277	-	-	-
Unreserved	273,407	113,211	285,013	84,741	1,648,793	-
<b>Total fund balances</b>	<b>273,407</b>	<b>113,211</b>	<b>982,290</b>	<b>84,741</b>	<b>1,648,793</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 327,054</b>	<b>\$ 288,494</b>	<b>\$ 1,017,044</b>	<b>\$ 84,741</b>	<b>\$ 1,648,793</b>	<b>\$ 48,971</b>

(Continued)

Franklin County, Florida  
Combining Balance Sheet  
Nonmajor Governmental Funds (Continued)  
September 30, 2009

	<b>Special Revenue</b>					
	<b>Airport</b>	<b>Recycling</b>	<b>Bald Point Trust</b>	<b>Library</b>	<b>Tourist Development</b>	<b>Mosquito Control</b>
<b>Assets</b>						
Cash and cash equivalents	\$ 14,243	\$ 76,337	\$ 108,983	\$ 64,994	\$ 653,596	\$ 62,814
Equity in pooled cash	-	45,235	296,228	-	73,560	21,429
Due from other funds	-	-	-	-	-	270
Due from other governmental units	244,846	-	-	-	97,611	-
Accounts receivable, net	2,116	1,334	-	-	-	-
<b>Total assets</b>	<b>\$ 261,205</b>	<b>\$ 122,906</b>	<b>\$ 405,211</b>	<b>\$ 64,994</b>	<b>\$ 824,767</b>	<b>\$ 84,513</b>
<b>Liabilities and fund balances</b>						
<b>Liabilities</b>						
Customer deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Vouchers payable	36,472	-	-	4,380	35,873	19,722
Due to other governmental units	-	-	-	198	-	-
Due to other funds	137,737	-	-	-	-	21,355
Deferred revenue	-	-	-	-	-	-
<b>Total liabilities</b>	<b>174,209</b>	<b>-</b>	<b>-</b>	<b>4,578</b>	<b>35,873</b>	<b>41,077</b>
<b>Fund balances</b>						
Reserved for landfill escrow	-	-	-	-	-	-
Unreserved	86,996	122,906	405,211	60,416	788,894	43,436
<b>Total fund balances</b>	<b>86,996</b>	<b>122,906</b>	<b>405,211</b>	<b>60,416</b>	<b>788,894</b>	<b>43,436</b>
<b>Total liabilities and fund balances</b>	<b>\$ 261,205</b>	<b>\$ 122,906</b>	<b>\$ 405,211</b>	<b>\$ 64,994</b>	<b>\$ 824,767</b>	<b>\$ 84,513</b>

(Continued)

Franklin County, Florida  
Combining Balance Sheet  
Nonmajor Governmental Funds (Continued)  
September 30, 2009

	Special Revenue				
	Clerk's Fine and Forfeitures	Clerk Modernization Trust	Property Appraisers Special Revenue	Supervior of Elections Special Revenue	Law Enforcement Educational Trust
<b>Assets</b>					
Cash and cash equivalents	\$ 39,638	\$ 126,447	\$ 557	\$ -	\$ 63,190
Equity in pooled cash	-	-	-	-	-
Due from other funds	26,471	5,599	-	-	480
Due from other governmental units	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-
<b>Total assets</b>	<b>\$ 66,109</b>	<b>\$ 132,046</b>	<b>\$ 557</b>	<b>\$ -</b>	<b>\$ 63,670</b>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Customer deposits	\$ -	\$ -	\$ -	\$ -	\$ -
Vouchers payable	7,036	3,185	-	-	-
Due to other governmental units	57,400	-	-	-	-
Due to other funds	1,673	-	19	-	-
Deferred revenue	-	-	-	-	-
<b>Total liabilities</b>	<b>66,109</b>	<b>3,185</b>	<b>19</b>	<b>-</b>	<b>-</b>
<b>Fund balances</b>					
Reserved for landfill escrow	-	-	-	-	-
Unreserved	-	128,861	538	-	63,670
<b>Total fund balances</b>	<b>-</b>	<b>128,861</b>	<b>538</b>	<b>-</b>	<b>63,670</b>
<b>Total liabilities and fund balances</b>	<b>\$ 66,109</b>	<b>\$ 132,046</b>	<b>\$ 557</b>	<b>\$ -</b>	<b>\$ 63,670</b>

(Continued)

Franklin County, Florida  
Combining Balance Sheet  
Nonmajor Governmental Funds (Continued)  
September 30, 2009

	Special Revenue			Debt Service Jail Bonds	Capital Projects	Total Nonmajor Governmental Funds
	Neighborhood Revitalization CDBG	Law Enforcement Trust	Hospital Trust			
<b>Assets</b>						
Cash and cash equivalents	\$ 9,560	\$ 3,124	\$ 1,128,410	\$ -	\$ 348,748	\$ 4,611,884
Equity in pooled cash	-	-	-	-	547,637	2,182,864
Due from other funds	-	-	-	-	-	48,749
Due from other governmental units	-	-	221,164	-	-	786,215
Accounts receivable, net	-	-	-	-	-	70,006
<b>Total assets</b>	<b>\$ 9,560</b>	<b>\$ 3,124</b>	<b>\$ 1,349,574</b>	<b>\$ -</b>	<b>\$ 896,385</b>	<b>\$ 7,699,718</b>
<b>Liabilities and fund balances</b>						
<b>Liabilities</b>						
Customer deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,500
Vouchers payable	-	-	-	-	-	214,301
Due to other governmental units	-	-	-	-	-	57,639
Due to other funds	-	-	193,548	-	-	375,532
Deferred revenue	-	-	-	-	-	172,281
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>193,548</b>	<b>-</b>	<b>-</b>	<b>831,253</b>
<b>Fund balances</b>						
Reserved for landfill escrow	-	-	-	-	-	697,277
Unreserved	9,560	3,124	1,156,026	-	896,385	6,171,188
<b>Total fund balances</b>	<b>9,560</b>	<b>3,124</b>	<b>1,156,026</b>	<b>-</b>	<b>896,385</b>	<b>6,868,465</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,560</b>	<b>\$ 3,124</b>	<b>\$ 1,349,574</b>	<b>\$ -</b>	<b>\$ 896,385</b>	<b>\$ 7,699,718</b>

Franklin County, Florida  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended September 30, 2009

	<b>Special Revenue</b>					
	<b>County Road and Bridge</b>	<b>911 Trust</b>	<b>Landfill</b>	<b>Sheriff's Special Revenue</b>	<b>Pier</b>	<b>Fire Protection</b>
<b>Revenues</b>						
Taxes	\$ 13,371	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,250,481	64,467	-	16,922	-	-
Fines and forfeitures	-	-	-	114	-	-
Charges for services	-	42,166	438,946	-	-	-
Investment earnings and other	15,401	5,684	7,898	102,088	11,404	234,050
<b>Total revenues</b>	<b>1,279,253</b>	<b>112,317</b>	<b>446,844</b>	<b>119,124</b>	<b>11,404</b>	<b>234,050</b>
<b>Expenditures</b>						
Current						
General government	-	-	-	-	-	-
Public safety	-	52,297	-	94,651	-	234,050
Physical environment	-	-	319,229	-	-	-
Transportation	1,334,458	-	-	-	-	-
Economic environment	-	-	-	-	-	-
Human services	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Court related	-	-	-	-	-	-
Capital outlay	78,611	17,222	-	26,354	-	-
Debt service	-	-	-	-	-	-
<b>Total expenditures</b>	<b>1,413,069</b>	<b>69,519</b>	<b>319,229</b>	<b>121,005</b>	<b>-</b>	<b>234,050</b>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<b>(133,816)</b>	<b>42,798</b>	<b>127,615</b>	<b>(1,881)</b>	<b>11,404</b>	<b>-</b>
<b>Other financing sources (uses)</b>						
Transfers in	31,805	-	-	-	-	-
Transfers out	-	(42,799)	-	(15,976)	-	-
Reversion to State of Florida	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>31,805</b>	<b>(42,799)</b>	<b>-</b>	<b>(15,976)</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(102,011)</b>	<b>(1)</b>	<b>127,615</b>	<b>(17,857)</b>	<b>11,404</b>	<b>-</b>
<b>Fund balances - beginning</b>	<b>375,418</b>	<b>113,212</b>	<b>854,675</b>	<b>102,598</b>	<b>1,637,389</b>	<b>-</b>
<b>Fund balances - ending</b>	<b>\$ 273,407</b>	<b>\$ 113,211</b>	<b>\$ 982,290</b>	<b>\$ 84,741</b>	<b>\$ 1,648,793</b>	<b>\$ -</b>

(Continued)

Franklin County, Florida  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds (Continued)  
Year Ended September 30, 2009

	Special Revenue					
	Airport	Recycling	Bald Point Trust	Library	Tourist Development	Mosquito Control
<b>Revenues</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 750,890	\$ -
Intergovernmental	849,265	-	-	75,321	-	37,023
Fines and forfeitures	-	-	-	-	-	-
Charges for services	-	20,909	-	-	-	-
Investment earnings and other	55,198	1,209	4,032	8,042	5,478	855
<b>Total revenues</b>	<b>904,463</b>	<b>22,118</b>	<b>4,032</b>	<b>83,363</b>	<b>756,368</b>	<b>37,878</b>
<b>Expenditures</b>						
Current						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Physical environment	-	-	-	-	-	-
Transportation	600,084	-	2,939	-	-	-
Economic environment	-	-	-	-	207,000	-
Human services	-	-	-	-	-	146,391
Culture and recreation	-	-	-	233,820	332,444	-
Court related	-	-	-	-	-	-
Capital outlay	304,125	-	-	31,177	21,075	19,876
Debt service	-	-	-	-	76,000	-
<b>Total expenditures</b>	<b>904,209</b>	<b>-</b>	<b>2,939</b>	<b>264,997</b>	<b>636,519</b>	<b>166,267</b>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<b>254</b>	<b>22,118</b>	<b>1,093</b>	<b>(181,634)</b>	<b>119,849</b>	<b>(128,389)</b>
<b>Other financing sources (uses)</b>						
Transfers in	17,000	-	-	180,997	-	115,562
Transfers out	-	-	-	-	(50,000)	-
Reversion to State of Florida	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>17,000</b>	<b>-</b>	<b>-</b>	<b>180,997</b>	<b>(50,000)</b>	<b>115,562</b>
<b>Net change in fund balances</b>	<b>17,254</b>	<b>22,118</b>	<b>1,093</b>	<b>(637)</b>	<b>69,849</b>	<b>(12,827)</b>
<b>Fund balances - beginning</b>	<b>69,742</b>	<b>100,788</b>	<b>404,118</b>	<b>61,053</b>	<b>719,045</b>	<b>56,263</b>
<b>Fund balances - ending</b>	<b>\$ 86,996</b>	<b>\$ 122,906</b>	<b>\$ 405,211</b>	<b>\$ 60,416</b>	<b>\$ 788,894</b>	<b>\$ 43,436</b>

(Continued)

Franklin County, Florida  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds (Continued)  
Year Ended September 30, 2009

	Special Revenue				
	Clerk's Fine and Forfeitures	Clerk Modernization Trust	Property Appraisers Special Revenue	Supervisor of Elections Special Revenue	Law Enforcement Educational Trust
<b>Revenues</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	375,097	-	-	-	-
Fines and forfeitures	-	-	-	-	4,386
Charges for services	272,349	35,486	19	-	-
Investment earnings and other	1,518	2,344	2	555	821
<b>Total revenues</b>	<b>648,964</b>	<b>37,830</b>	<b>21</b>	<b>555</b>	<b>5,207</b>
<b>Expenditures</b>					
Current					
General government	-	21,825	-	-	-
Public safety	-	28,288	-	-	-
Physical environment	-	-	-	-	-
Transportation	-	-	-	-	-
Economic environment	-	-	-	-	-
Human services	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Court related	551,641	-	-	-	-
Capital outlay	-	12,720	-	-	-
Debt service	-	-	-	-	-
<b>Total expenditures</b>	<b>551,641</b>	<b>62,833</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<b>97,323</b>	<b>(25,003)</b>	<b>21</b>	<b>555</b>	<b>5,207</b>
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	(19)	(555)	-
Reversion to State of Florida	(97,323)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(97,323)</b>	<b>-</b>	<b>(19)</b>	<b>(555)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>(25,003)</b>	<b>2</b>	<b>-</b>	<b>5,207</b>
<b>Fund balances - beginning</b>	<b>-</b>	<b>153,864</b>	<b>536</b>	<b>-</b>	<b>58,463</b>
<b>Fund balances - ending</b>	<b>\$ -</b>	<b>\$ 128,861</b>	<b>\$ 538</b>	<b>\$ -</b>	<b>\$ 63,670</b>

(Continued)

Franklin County, Florida  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds (Continued)  
Year Ended September 30, 2009

	Special Revenue			Debt Service Jail Bonds	Capital Projects	Total Nonmajor Governmental Funds
	Neighborhood Revitalization CDBG	Law Enforcement Trust	Hospital Trust			
<b>Revenues</b>						
Taxes	\$ -	\$ -	\$ 1,370,862	\$ -	\$ -	\$ 2,135,123
Intergovernmental	-	-	-	-	-	2,668,576
Fines and forfeitures	-	-	-	-	-	4,500
Charges for services	-	-	-	-	-	809,875
Investment earnings and other	-	40	11,169	-	7,585	475,373
<b>Total revenues</b>	-	40	1,382,031	-	7,585	6,093,447
<b>Expenditures</b>						
Current						
General government	-	-	-	-	-	21,825
Public safety	-	-	-	-	-	409,286
Physical environment	-	-	-	-	-	319,229
Transportation	-	-	-	-	-	1,937,481
Economic environment	-	-	-	-	-	207,000
Human services	-	-	11,212	-	-	157,603
Culture and recreation	-	-	-	-	-	566,264
Court related	-	-	-	-	-	551,641
Capital outlay	-	-	101,444	-	-	612,604
Debt service	-	-	-	-	-	76,000
<b>Total expenditures</b>	-	-	112,656	-	-	4,858,933
<b>Excess (deficit) of revenues over (under) expenditures</b>	-	40	1,269,375	-	7,585	1,234,514
<b>Other financing sources (uses)</b>						
Transfers in	-	-	-	-	140,500	485,864
Transfers out	-	-	(859,759)	(528,296)	-	(1,497,404)
Reversion to State of Florida	-	-	-	-	-	(97,323)
<b>Total other financing sources (uses)</b>	-	-	(859,759)	(528,296)	140,500	(1,108,863)
<b>Net change in fund balances</b>	-	40	409,616	(528,296)	148,085	125,651
<b>Fund balances - beginning</b>	9,560	3,084	746,410	528,296	748,300	6,742,814
<b>Fund balances - ending</b>	\$ 9,560	\$ 3,124	\$ 1,156,026	\$ -	\$ 896,385	\$ 6,868,465

Franklin County, Florida  
Combining Balance Sheet  
Agency Funds  
September 30, 2009

Agency Funds - Clerk

	Trust Funds	Registry of Court	Child Support
<b>Assets</b>			
Cash and cash equivalents	\$ 117,075	\$ 26,965	\$ 344
<b>Total assets</b>	<b>\$ 117,075</b>	<b>\$ 26,965</b>	<b>\$ 344</b>
<b>Liabilities</b>			
Due to individuals	\$ -	\$ 26,965	\$ 344
Due to other governments	117,075	-	-
Deposits	-	-	-
Installments	-	-	-
<b>Total liabilities</b>	<b>\$ 117,075</b>	<b>\$ 26,965</b>	<b>\$ 344</b>

(Continued)

Franklin County, Florida  
Combining Balance Sheet  
Agency Funds (Continued)  
September 30, 2009

	<u>Agency Funds - Sheriff</u>		<u>Agency Funds - Tax Collector</u>		
	Bonds	Inmate Trust	Tax	Tag Agency	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 6,547	\$ 1,979	\$ 69,178	\$ 7,294	\$ 229,382
<b>Total assets</b>	<b>\$ 6,547</b>	<b>\$ 1,979</b>	<b>\$ 69,178</b>	<b>\$ 7,294</b>	<b>\$ 229,382</b>
<b>Liabilities</b>					
Due to individuals	\$ 6,547	\$ 1,979	\$ -	\$ -	\$ 35,835
Due to other governments	-	-	43,477	7,294	167,846
Deposits	-	-	1,410	-	1,410
Installments	-	-	24,291	-	24,291
<b>Total liabilities</b>	<b>\$ 6,547</b>	<b>\$ 1,979</b>	<b>\$ 69,178</b>	<b>\$ 7,294</b>	<b>\$ 229,382</b>

## 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, 2009, and have issued our report thereon dated June 21, 2010.

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. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, Independent Auditor's Report on Compliance with Requirements Applicable to each Major State Project and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated June 21, 2010, should be considered in conjunction with this management letter.

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

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

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

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

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

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

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

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

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for Franklin County, Florida for the fiscal year ended September 30, 2009, 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, 2009. In connection with our audit, we determined that these two reports were in agreement.

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

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

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

June 21, 2010

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Franklin County, Florida as of and for the year ended September 30, 2009, which collectively comprise Franklin County, Florida's basic financial statements and have issued our report thereon dated June 21, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described below, that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting: 09-01 and 09-02.

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

Compliance and other matters

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

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

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

June 21, 2010

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

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

**Compliance**

We have audited the compliance of Franklin County, Florida with the types of compliance requirements described in the Florida Department of Financial Services' State Projects Compliance Supplement that are applicable to each of its major state projects for the year ended September 30, 2009. Franklin County, Florida's major 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 state projects is the responsibility of Franklin County, Florida's management. Our responsibility is to express an opinion on Franklin County, Florida's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, State of Florida Rules of the Auditor General. Those standards and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major 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 of 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 state projects for the year ended September 30, 2009.

**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 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 state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 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 state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a 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 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.

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

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

June 21, 2010

Franklin County, Florida  
Schedule of Expenditures of  
State Financial Assistance  
Year Ended September 30, 2009

State Financial Assistance Projects	CSFA Number	Contract/Grant Number	Expenditures
<b>Department of Environmental Protection</b>			
Small County Consolidated Grants	37.012	SC7808	\$ 277,227
FRDAP - Carrabelle Recreation Park Phase III	37.017	A9047	135,611
Special Recreation Assistance Projects			
Carrabelle Recreation Park	37.071	L0702	17,862
St. George Island Lighthouse Park	37.071	L0711	137,290
Lombardis Seafood Landing Park	37.071	L0813	71,310
Vrooman Park	37.071	L0814	96,077
Total Department of Environmental Protection			735,377
<b>Department of Agriculture</b>			
Mosquito Control	42.003	n/a	37,023
Aquaculture Development Projects	42.015	013986	7,500
Total Department of Agriculture			44,523
<b>Department of State</b>			
State Aid to Libraries	45.030	n/a	75,321
Total Department of State			75,321
<b>Department of Community Affairs</b>			
Emergency Management Preparedness Grant	52.008	09-BG-03-02-29-01-111	98,726
Total Department of Community Affairs			98,726
<b>Florida Housing Finance Agency</b>			
State Housing Initiatives Partnership (SHIP) Program	52.901	2007/2008	33,606
State Housing Initiatives Partnership (SHIP) Program	52.901	2008/2009	274,571
Total Florida Housing Finance Agency			308,177
<b>Department of Transportation</b>			
Aviation Development Grants			
Airport Relocate Water & Sewer	55.004	42071819401	18,225
Airport Construct/Extend Entrance Road	55.004	AO271	43,626
Airport Corporate Hangar/Office	55.004	AOB91	22,076
Airport Drainage System Repair	55.004	AOL60	40,850
Airport Update/Add Security Fence	55.004	AO020	23,760
Airport Land Survey and Appraisal	55.004	AOZ2501	11,975
Small County Outreach Program			
SCOP - Co. Road 300	55.009	42406015801	1,828,426
SCOP - Co. Road 376	55.009	42406215801	307,441
SCOP - Co. Road 370	55.009	AOZ81	2,174,976
Transportation Regional Incentive Grants			
Airport 10,000 SF Hangar/Office	55.026	AOV0601	185,960
Airport Rehab Runway 6-24	55.026	AOV07	502,793
Total Department of Transportation			5,160,108

(Continued)

Franklin County, Florida  
 Schedule of Expenditures of  
 State Financial Assistance (Continued)  
 Year Ended September 30, 2009

<b>State Financial Assistance Projects</b>	<b>CSFA Number</b>	<b>Contract/Grant Number</b>	<b>Expenditures</b>
<b>Department of Health</b>			
Rural Hospital Capital Improvement	64.002	n/a	\$ 82,143
Rural Hospital Capital Improvement	64.002	n/a	118,112
Rural Hospital Capital Improvement	64.002	n/a	3,990
EMS Matching Awards	64.003	n/a	160,249
Total Department of Health			364,494
<b>Department of Management Services</b>			
E911 State Grant Program	72.002	n/a	44,699
Total Department of Management Services			44,699
<b>Florida Fish &amp; Wildlife Conservation Commission</b>			
Florida Boating Improvement Program			
Bluff Road Regional Boat Ramp	77.006	07096	325,171
Eastpoint Landing Park Boat Ramp	77.006	08090	306,941
Eastpoint Landing Park Boat Ramp	77.006	07095	3,920
Ochlockonee Bay Boat Ramp	77.006	07097	2,811
St. George Island Boat Ramp	77.006	06078	120,815
Total Florida Fish & Wildlife Conservation Commission			759,658
Total Expenditures of State Financial Assistance			\$ 7,591,083

Franklin County, Florida  
 Schedule of Findings and Questioned Costs  
 Year Ended September 30, 2009

**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

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 Section  
 Section 10.557, Rules of the Auditor General? \_\_\_ yes    X no

Identification of major state projects:

<u>CSFA Number</u>	<u>Name of State Financial Assistance Project</u>
55.009	Department of Transportation Small County Outreach Program
77.006	Florida Fish & Wildlife Conservation Commission Florida Boating Improvement Program

(Continued)

Franklin County, Florida  
Schedule of Findings and Questioned Costs (Continued)  
Year Ended September 30, 2009

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

**Section II - Financial Statement Findings**

**09-01 (Prior year 08-01) Significant Audit Adjustments**

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

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

Management's response -

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

**09-02 (Prior year 08-02) Inadequate Design of Internal Controls**

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

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

Management's response -

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

**09-03 (Prior year 08-03) Need for Segregation of Duties**

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

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

(Continued)

Franklin County, Florida  
Schedule of Findings and Questioned Costs (Continued)  
Year Ended September 30, 2009

Management's response -

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

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

No such findings or questioned costs in the current year.

**Section IV - Other Issues**

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

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

Franklin County, Florida  
Notes to Schedule of Expenditures of  
State Financial Assistance  
Year Ended September 30, 2009

**NOTE 1 – BASIS OF ACCOUNTING**

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

**NOTE 2 – REPORTING ENTITY**

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

**NOTE 3 – PASS-THROUGH AWARDS**

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