

Franklin County, Florida
Annual Financial Statements
September 30, 2011

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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, 2011, 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, 2011, and the respective changes in financial position, and, where applicable, cash flows 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 28, 2012, 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 compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 12, the budgetary comparison information on pages 18 through 22, and the schedule of funding progress for the retiree's health insurance other postemployment benefits plan and schedule of employer contributions

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

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

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

Certified Public Accountants

June 28, 2012

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 \$7,164,574 or 7% from September 30, 2010, to September 30, 2011.
- During the year ended September 30, 2011, the financial statements show that the County's general fund expenditures exceeded revenues by \$176,918. However, total expenditures in the general fund were less than budgeted amounts.
- The County's capital assets, net of accumulated depreciation, decreased \$1,606,365 which represents a decrease of 2% for the year.

Nonfinancial Events

- The County received \$66,231 from the Florida Department of Agriculture to construct a new waterfront pavilion and loading dock on the Eastpoint Channel. The land for the park was purchased by the County in September of 2009 at a cost of \$287,298.
- The design phase of the Carrabelle Beach Multi-Use Path extending from Carrabelle Beach to the Carrabelle Lighthouse is now complete – funding was provided through a grant with the Florida Department of Transportation. Construction is anticipated to begin in 2013.
- Phase II (boat ramp construction) of the Ochlockonee Bay Boat Ramp is now complete. The Ochlockonee Bay Boat Ramp Project included a new pier, new ramp, dredging, and paved parking area. The funding for both Phase I (94% of design) and II (100% construction) of this project was provided by grants from the Florida Fish and Wildlife Conservation Commission's Florida Boating Improvement Program, phase I cost \$74,390 (6% match paid from County's Boating Improvement Fees Collected) and phase II cost \$524,330 (No match required).
- The Seafood Landing Park Project (Apalachicola) is now complete. This project was funded by a \$150,000 grant from the Florida Department of Environmental Protection. The park features a dock on Two Mile Channel, a handicapped access ramp with guardrails to an existing building, a canoe/kayak launch, picnic pavilions, site lighting and landscaping, a parking lot, an observation deck and restrooms at the park.
- The County received \$1,657,851 from BP to pay for response efforts to the Deepwater Horizon Oil Spill, \$40,961 of which was reimbursement for response-related County operations and the balance was paid to disaster response contractors. The County was also awarded \$1,666,692 in BP Tourism Enhancement Funds to be spent on the advertising and promotion of Franklin County.

- 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. In 2010 construction began on a new Urgent Care Facility in Carrabelle. The new facility was opened in January of 2011 and cost \$1,463,767.
- The gross taxable value for operating purposes certified by the Franklin County Property Appraiser on June 28, 2010 showed over a 720 million dollar decline in Franklin County's taxable value from 2009 to 2010. The commission raised the millage rate to 4.4450 mills in Fiscal Year 2010/2011, but still cut property tax proceeds. The \$8,951,286 in budgeted proceeds from property taxes in Fiscal Year 2010/2011 was \$1,258,933 less than the budgeted proceeds of \$10,210,219 in Fiscal Year 2009/2010. The County has had a hiring freeze in effect since March of 2007. In 2010/2011 there were 168.5 budgeted positions, down from a high in 2006/2007 of 191. The County has not approved any across the board salary increases since October 1, 2008. In part, the \$1,258,933 reduction in ad valorem property tax proceeds was made possible by a one-time transfer of \$500,000 out of the County's capital outlay fund into the County general fund.

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 2011 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 \$101 million at September 30, 2011, and \$108 million at September 30, 2010.

Net Assets						
	Governmental Activities		Business-type Activities		Total	
September 30,	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 20,488,039	\$ 21,752,312	\$ 2,087,117	\$ 1,933,886	\$ 22,575,156	\$ 23,686,198
Capital assets, net	96,493,434	98,842,356	2,422,683	1,680,126	98,916,117	100,522,482
Total assets	116,981,473	120,594,668	4,509,800	3,614,012	121,491,273	124,208,680
Current and other liabilities	2,214,525	2,646,341	1,991,391	1,428,039	4,205,916	4,074,380
Long-term liabilities	16,081,416	11,651,580	410,127	524,334	16,491,543	12,175,914
Total liabilities	18,295,941	14,297,921	2,401,518	1,952,373	20,697,459	16,250,294
Net assets invested in capital assets, net of related debt	95,484,722	97,879,837	2,320,109	1,544,154	97,804,831	99,423,991
Net assets – restricted	3,184,478	-	-	-	3,184,478	-
unrestricted	16,332	8,416,910	(211,827)	117,485	(195,495)	8,534,395
Total net assets	\$ 98,685,532	\$ 106,296,747	\$ 2,108,282	\$ 1,661,639	\$ 100,793,814	\$ 107,958,386

Statement of Activities

The following schedule summarizes revenues and expenses for the years ended September 30, 2011 and 2010:

Year ended September 30,	Changes in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Program revenues						
Charges for services	\$ 1,829,877	\$ 1,847,441	\$ 4,993,156	\$ 5,746,576	\$ 6,823,033	\$ 7,594,017
Operating grants/contributions	2,620,324	3,676,376	710,696	694,518	3,331,020	4,370,894
Capital grants/contributions	947,589	1,752,903	35,927	56,760	983,516	1,809,663
General revenues						
Property taxes	8,969,077	9,972,272	-	-	8,969,077	9,972,272
Other taxes	5,009,560	4,917,819	-	-	5,009,560	4,917,819
Investment earnings	92,026	222,065	5,583	5,368	97,609	227,433
Other	3,287,343	995,805	164,147	23,658	3,451,490	1,019,463
Transfers	(2,505,326)	(1,888,373)	2,505,326	1,888,373	-	-
Total revenues	20,250,470	21,496,308	8,414,835	8,415,253	28,665,305	29,911,561
Expenses						
Program activities						
General						
government	4,595,757	4,923,689	-	-	4,595,757	4,923,689
Public safety	9,991,047	8,660,100	-	-	9,991,047	8,660,100
Physical						
environment	2,070,117	2,008,312	-	-	2,070,117	2,008,312
Transportation	5,838,517	7,645,540	-	-	5,838,517	7,645,540
Economic						
environment	1,170,072	1,651,260	-	-	1,170,072	1,651,260
Human services	1,000,047	1,017,100	-	-	1,000,047	1,017,100
Culture and recreation						
recreation	1,517,554	1,502,645	-	-	1,517,554	1,502,645
Court related	1,641,282	1,666,591	-	-	1,641,282	1,666,591
Interest and other charges						
other charges	37,292	50,445	-	-	37,292	50,445
Business-type activities						
activities	-	-	7,968,194	7,654,108	7,968,194	7,654,108
Total expenses	27,861,685	29,125,682	7,968,194	7,654,108	35,829,879	36,779,790
Net increase (decrease)	\$ (7,611,215)	\$ (7,629,374)	\$ 446,641	\$ 761,145	\$ (7,164,574)	\$ (6,868,229)

Financial Analysis of Individual Funds

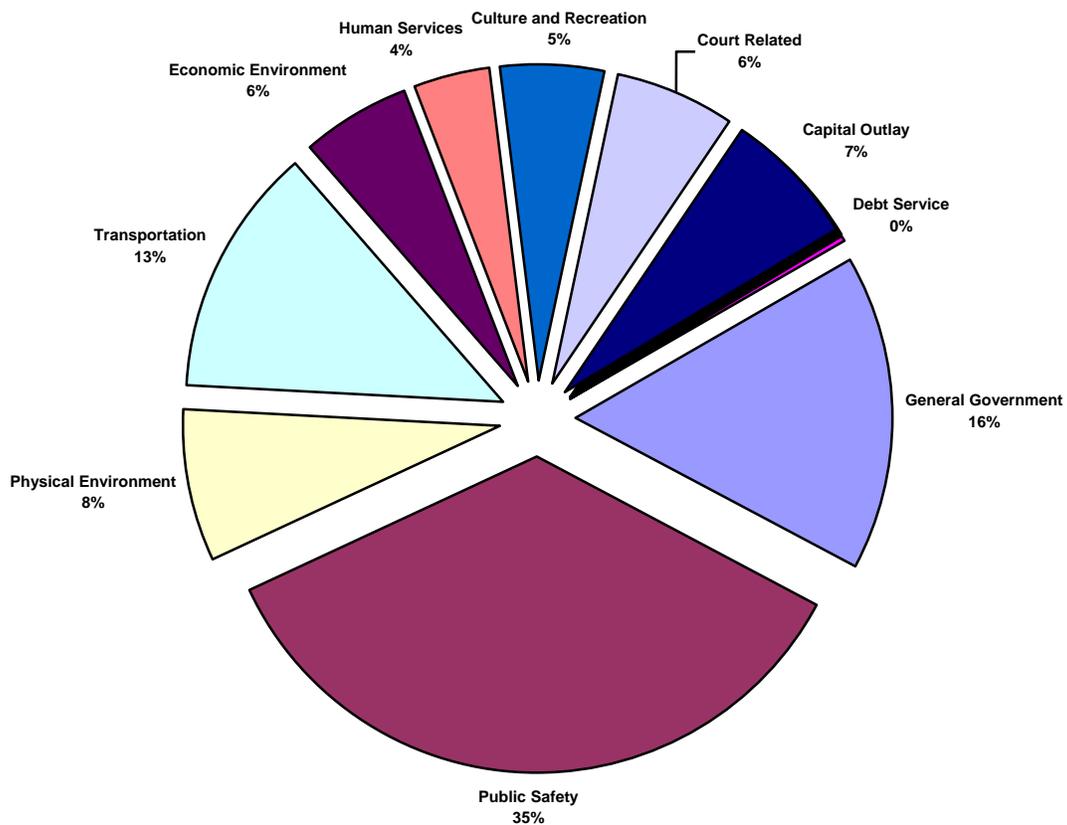
This section provides an analysis of the balances and transactions of individual funds. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The primary purpose of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable resources*. Such information is useful in assessing the County's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources, available for spending, at the end of the fiscal year. See note 10 for further details.

As of the end of fiscal year 2011, the County's governmental funds reported combined ending fund balances of \$18,461,292. Of this amount, *unassigned fund balance* is \$4,756,060.

Total Governmental Funds Expenditures by Functions



Major Funds

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

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

Budget Variances in the Major Funds

- Tax revenue of the general fund shows a negative budget variance of \$289,006. The County budget shows 100% of anticipated revenues with "less 5% of estimated revenues" being shown separately as a deduction. Additionally, taxpayers can take advantage of as much as 4% reduction in taxes by paying in the month of November. The Value Adjustment Board proceedings also had a negative impact on the County's budgeted ad valorem proceeds. Due to the current economic situation the local real estate market has been in decline resulting in added difficulty in assigning a firm 2010 taxable value to properties.
- The general fund shows a negative budget variance of \$872,752 in the category of intergovernmental revenues. This variance is primarily caused by anticipated grant revenues not being earned in the current year.

- The Local Option Gas Tax Fund shows a positive budget variance of \$601,681 in the category of intergovernmental revenues. This variance is primarily caused by unanticipated grant revenues being earned in the current year.

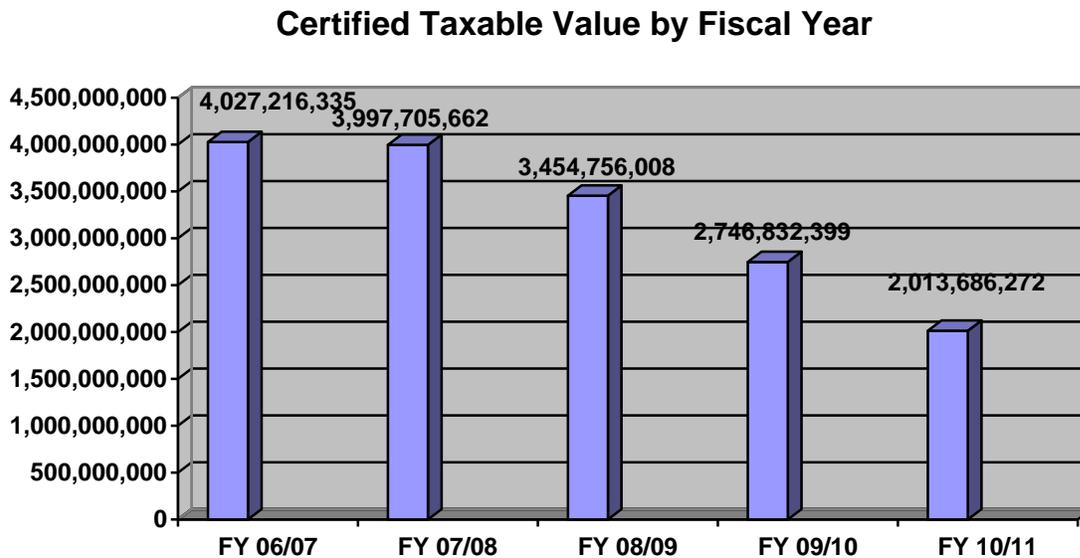
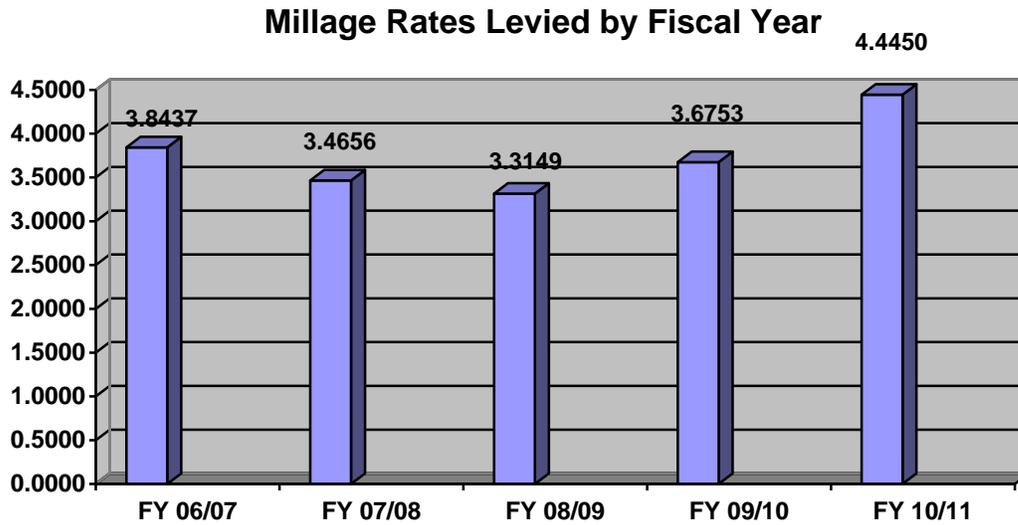
Capital Assets and Long-Term Debt

- As of September 30, 2011, the County's governmental activities had \$781,088 in construction in progress. Below is a summary of some of the large projects that are still in progress at the end of the current fiscal year, many of these projects will take longer than one fiscal year to complete.
- Airport Projects: The County has begun construction of a new 10,000 square foot corporate paint hangar through funds provided by the Florida Department of Transportation. The County hopes upon completion, the new paint hangar will generate increased traffic and business opportunity at the County airport location.
- Road Projects: The County received a Community Development Block Grant to elevate the approaches to the Pine Log Creek Bridge on Highway 67 out of Carrabelle. Highway 67 is a designated Hurricane Evacuation Route and the elevation of the approaches to the bridge will allow for safe passage during times of flood.
- Pedestrian Traffic: The Carrabelle Beach Multi-Use path will connect the Carrabelle Beach Park to the Carrabelle Lighthouse. Phase I design and permitting is now complete, construction is set to begin in 2013.
- Equipment purchased which increased capital asset value: The County purchased a new 2010 938H Wheel Loader for the Road Department. The total sales price of the Loader was \$164,623.
- The County issued new long-term debt during the 2011 fiscal year – the purchase of the 938H Wheel Loader for the County road department was partially financed. The \$84,901 balance due on the Loader after trade-in and down payment was financed for a period of four years at 3.5%.

Significant Economic Factors

Taxable Value of Property and Millage Rates

The County received approximately \$8.86 million in property taxes based on the certified taxable value of property in Franklin County. This represents a decrease from the prior year of \$1.11 million and is a result of a decrease in property values as depicted in the following graphs.



Requests for Information

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

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

Basic Financial Statements

Franklin County, Florida
Statement of Net Assets
September 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 15,784,723	\$ 516,258	\$ 16,300,981
Equity in pooled cash	2,666,515	-	2,666,515
Accounts receivable, net	201,784	868,507	1,070,291
Notes receivable	433,360	-	433,360
Internal balances	(345,857)	345,857	-
Prepaid expenses	129,708	79,549	209,257
Due from other governments	1,617,806	1,933	1,619,739
Deposits	-	275,013	275,013
Capital assets			
Nondepreciable	4,377,452	393,795	4,771,247
Depreciable, net	92,115,982	2,028,888	94,144,870
Total assets	116,981,473	4,509,800	121,491,273
Liabilities and net assets			
Accounts payable and accrued expenses	812,096	305,902	1,117,998
Accrued liabilities	-	1,362,428	1,362,428
Due to other governments	138,616	-	138,616
Deferred revenue	1,064,618	132,277	1,196,895
Long-term liabilities			
Customer deposits	5,500	-	5,500
Due within one year			
Accrued compensated absences	126,110	24,206	150,316
Notes and leases payable	67,585	166,578	234,163
Due in more than one year			
Accrued compensated absences	465,954	99,131	565,085
Notes and leases payable	941,127	310,996	1,252,123
Net OPEB obligation	12,837,000	-	12,837,000
Landfill closure liability	1,837,335	-	1,837,335
Total liabilities	18,295,941	2,401,518	20,697,459
Net assets			
Invested in capital assets, net of related debt	95,484,722	2,320,109	97,804,831
Restricted	3,184,478	-	3,184,478
Unrestricted	16,332	(211,827)	(195,495)
Total net assets	\$ 98,685,532	\$ 2,108,282	\$ 100,793,814

See accompanying notes

Franklin County, Florida
Statement of Activities
Year Ended September 30, 2011

	Net (Expense) Revenue and Changes in Net Assets						
	Program Revenues				Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Primary government							
Governmental activities							
General government	\$ 4,595,757	\$ 425,873	\$ 1,377	\$ -	\$ (4,168,507)	\$ -	\$ (4,168,507)
Public safety	9,991,047	756,722	444,434	-	(8,789,891)	-	(8,789,891)
Physical environment	2,070,117	458,458	349,027	-	(1,262,632)	-	(1,262,632)
Transportation	5,838,517	49,179	638,959	881,745	(4,268,634)	-	(4,268,634)
Economic environment	1,170,072	-	305,131	-	(864,941)	-	(864,941)
Human services	1,000,047	425	761,402	-	(238,220)	-	(238,220)
Culture and recreation	1,517,554	7,076	103,689	65,844	(1,340,945)	-	(1,340,945)
Court related	1,641,282	132,144	16,305	-	(1,492,833)	-	(1,492,833)
Interest on long-term debt	37,292	-	-	-	(37,292)	-	(37,292)
Total governmental activities	27,861,685	1,829,877	2,620,324	947,589	(22,463,895)	-	(22,463,895)
Business-type activities							
Hospital	7,968,194	4,993,156	710,696	35,927	-	(2,228,415)	(2,228,415)
Total business-type activities	7,968,194	4,993,156	710,696	35,927	-	(2,228,415)	(2,228,415)
Total primary government	\$ 35,829,879	\$ 6,823,033	\$ 3,331,020	\$ 983,516	(22,463,895)	(2,228,415)	(24,692,310)
General revenues							
Taxes							
Property taxes					8,969,077	-	8,969,077
Franchise and utility taxes					51,853	-	51,853
Local option gas tax					264,198	-	264,198
Sales tax and other shared revenues					4,693,509	-	4,693,509
Investment earnings					92,026	5,583	97,609
Miscellaneous					3,287,343	164,147	3,451,490
Total general revenues					17,358,006	169,730	17,527,736
Transfers					(2,505,326)	2,505,326	-
Total general revenues and transfers					14,852,680	2,675,056	17,527,736
Change in net assets					(7,611,215)	446,641	(7,164,574)
Net assets - beginning					106,296,747	1,661,641	107,958,388
Net assets - ending					\$ 98,685,532	\$ 2,108,282	\$ 100,793,814

See accompanying notes

Franklin County, Florida
Balance Sheet
Governmental Funds
September 30, 2011

	General	Local Option Gas Tax	State Housing Initiatives Partnership	Hospital Trust	Boating Improvement	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 11,357,017	\$ 846,937	\$ 389,306	\$ 679,894	\$ 14,101	\$ 2,497,468	\$ 15,784,723
Equity in pooled cash	745,145	576,090	83,025	-	-	1,262,255	2,666,515
Due from other funds	916,497	-	-	-	9,853	65,220	991,570
Due from other governmental units	334,223	50,114	-	238,762	524,331	470,376	1,617,806
Accounts receivable, net	126,910	-	-	-	-	74,874	201,784
Notes receivable	-	-	433,360	-	-	327,900	761,260
Prepaid expenses	54,168	-	-	-	-	75,540	129,708
Total assets	\$ 13,533,960	\$ 1,473,141	\$ 905,691	\$ 918,656	\$ 548,285	\$ 4,773,633	22,153,366
Liabilities and fund balances							
Liabilities							
Customer deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,500	5,500
Vouchers payable	431,417	-	9,458	-	-	371,221	812,096
Due to other governmental units	82,810	-	-	-	-	55,806	138,616
Due to other funds	333,835	7,500	-	394,702	489,570	111,820	1,337,427
Deferred revenue	36,383	-	816,814	-	-	545,238	1,398,435
Total liabilities	884,445	7,500	826,272	394,702	489,570	1,089,585	3,692,074
Fund balances							
Nonspendable	54,168	-	-	-	-	75,540	129,708
Restricted	408,042	-	79,419	523,954	58,715	2,815,001	3,885,131
Assigned	7,431,245	1,465,641	-	-	-	793,507	9,690,393
Unassigned	4,756,060	-	-	-	-	-	4,756,060
Total fund balances	12,649,515	1,465,641	79,419	523,954	58,715	3,684,048	18,461,292
Total liabilities and fund balances	\$ 13,533,960	\$ 1,473,141	\$ 905,691	\$ 918,656	\$ 548,285	\$ 4,773,633	

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.	96,493,434
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.	(16,275,111)
Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds.	5,917

Net assets of governmental activities	\$ 98,685,532
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See accompanying notes

Franklin County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2011

	General	Local Option Gas Tax	State Housing Initiatives Partnership	Hospital Trust	Boating Improvement	Other Governmental Funds	Total Governmental Funds
Revenues							
Taxes	\$ 8,717,757	\$ 251,437	\$ -	\$ 1,472,591	\$ -	\$ 815,902	\$ 11,257,687
Licenses and permits	106,434	-	-	-	-	349,902	456,336
Intergovernmental	2,294,086	601,681	299,546	-	79,230	3,094,850	6,369,393
Fines and forfeitures	20,830	-	-	-	-	34,536	55,366
Charges for services	774,199	-	-	-	-	510,183	1,284,382
Investment earnings and other	2,003,133	4,827	27,025	3,893	53	1,303,922	3,342,853
Total revenues	13,916,439	857,945	326,571	1,476,484	79,283	6,109,295	22,766,017
Expenditures							
Current							
General government	3,384,264	-	-	-	-	1,475	3,385,739
Public safety	6,864,926	-	-	-	-	525,089	7,390,015
Physical environment	1,261,379	-	-	-	-	368,281	1,629,660
Transportation	2,597	1,031,220	-	-	-	1,659,095	2,692,912
Economic environment	72,912	-	298,545	-	-	794,704	1,166,161
Human services	709,365	-	-	-	-	140,755	850,120
Culture and recreation	694,033	-	-	-	-	381,034	1,075,067
Court related	744,930	-	-	-	-	547,201	1,292,131
Capital outlay	358,951	122,118	-	3,172	65,844	907,452	1,457,537
Debt service	-	-	-	-	-	76,000	76,000
Total expenditures	14,093,357	1,153,338	298,545	3,172	65,844	5,401,086	21,015,342
Excess (deficit) of revenues over (under) expenditures	(176,918)	(295,393)	28,026	1,473,312	13,439	708,209	1,750,675
Other financing sources (uses)							
Transfers in	207,973	-	-	-	-	249,307	457,280
Transfers out	(764,837)	(7,500)	-	(1,999,733)	-	(190,536)	(2,962,606)
Reversion to State of Florida	-	-	-	-	-	(93,250)	(93,250)
Debt issuance	-	-	-	-	-	84,901	84,901
Total other financing sources (uses)	(556,864)	(7,500)	-	(1,999,733)	-	50,422	(2,513,675)
Net change in fund balances	(733,782)	(302,893)	28,026	(526,421)	13,439	758,631	(763,000)
Fund balances - beginning	13,383,297	1,768,534	51,393	1,050,375	45,276	2,925,417	19,224,292
Fund balances - ending	\$ 12,649,515	\$ 1,465,641	\$ 79,419	\$ 523,954	\$ 58,715	\$ 3,684,048	\$ 18,461,292

See accompanying notes

Franklin County, Florida
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities
 Year Ended September 30, 2011

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)	\$ (763,000)
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of activities.	1,457,537
Depreciation expense on governmental capital assets included in the governmental activities in the statement of activities.	(3,826,117)
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.	38,708
The issuance of long-term debt (notes payable) provides current financial resources to governmental funds, while it has no effect on the statement of activities.	(84,901)
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.	(4,453,099)
The net effect of miscellaneous noncash transactions involving capital assets (i.e. sales, trade-ins, adjustments, and donations) is to increase net assets.	19,657
Change in net assets of governmental activities (page 14)	\$ (7,611,215)

Franklin County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 9,006,763	\$ 9,006,763	\$ 8,717,757	\$ (289,006)
Licenses and permits	105,000	105,000	106,434	1,434
Intergovernmental	3,166,838	3,166,838	2,294,086	(872,752)
Fines and forfeitures	10,000	10,000	20,830	10,830
Charges for services	746,481	746,481	774,199	27,718
Miscellaneous revenues	236,248	1,915,541	2,003,133	87,592
Total revenues	13,271,330	14,950,623	13,916,439	(1,034,184)
Expenditures				
Current				
General government	4,019,234	4,045,527	3,384,264	661,263
Public safety	5,381,662	7,023,281	6,864,926	158,355
Physical environment	1,766,776	1,766,776	1,261,379	505,397
Transportation	35,000	35,000	2,597	32,403
Economic environment	75,039	75,039	72,912	2,127
Human services	820,444	820,444	709,365	111,079
Culture and recreation	2,423,365	2,423,365	694,033	1,729,332
Court related	1,259,490	1,259,490	744,930	514,560
Capital outlay	1,449,224	1,460,634	358,951	1,101,683
Reserve for contingencies	821,598	741,006	-	741,006
Total expenditures	18,051,832	19,650,562	14,093,357	5,557,205
Excess (deficit) of revenues over (under) expenditures	(4,780,502)	(4,699,939)	(176,918)	4,523,021
Other financing sources (uses)				
Transfers in	146,898	146,927	207,973	61,046
Transfers out	(674,307)	(754,899)	(764,837)	(9,938)
Total other financing sources (uses)	(527,409)	(607,972)	(556,864)	51,108
Net change in fund balance	(5,307,911)	(5,307,911)	(733,782)	4,574,129
Fund balance - beginning	13,383,297	13,383,297	13,383,297	-
Fund balance - ending	\$ 8,075,386	\$ 8,075,386	\$ 12,649,515	\$ 4,574,129

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 265,970	\$ 265,970	\$ 251,437	\$ (14,533)
Intergovernmental	-	-	601,681	601,681
Miscellaneous revenues	4,500	4,500	4,827	327
Total revenues	270,470	270,470	857,945	587,475
Expenditures				
Current				
Transportation	1,126,441	1,126,441	1,031,220	95,221
Capital outlay	696,747	696,747	122,118	574,629
Total expenditures	1,823,188	1,823,188	1,153,338	669,850
Excess (deficit) of revenues over (under) expenditures	(1,552,718)	(1,552,718)	(295,393)	1,257,325
Other financing sources (uses)				
Operating transfers out	(7,500)	(7,500)	(7,500)	-
Total other financing sources (uses)	(7,500)	(7,500)	(7,500)	-
Net change in fund balance	(1,560,218)	(1,560,218)	(302,893)	1,257,325
Fund balance - beginning	1,768,534	1,768,534	1,768,534	-
Fund balance - ending	\$ 208,316	\$ 208,316	\$ 1,465,641	\$ 1,257,325

Franklin County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - State Housing Initiatives Partnership Fund
Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 337,000	\$ 337,000	\$ 299,546	\$ (37,454)
Miscellaneous revenues	48,000	48,000	27,025	(20,975)
Total revenues	385,000	385,000	326,571	(58,429)
Expenditures				
Current				
Economic environment	415,750	415,750	298,545	117,205
Total expenditures	415,750	415,750	298,545	117,205
Excess (deficit) of revenues over (under) expenditures	(30,750)	(30,750)	28,026	58,776
Fund balance - beginning	51,393	51,393	51,393	-
Fund balance - ending	\$ 20,643	\$ 20,643	\$ 79,419	\$ 58,776

Franklin County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Hospital Trust Fund
Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,416,345	\$ 1,416,345	\$ 1,472,591	\$ 56,246
Miscellaneous revenues	15,500	15,500	3,893	(11,607)
Total revenues	1,431,845	1,431,845	1,476,484	44,639
Expenditures				
Capital outlay	-	-	3,172	(3,172)
Total expenditures	-	-	3,172	(3,172)
Excess of revenues over expenditures	1,431,845	1,431,845	1,473,312	41,467
Other financing sources (uses)				
Transfers out	(2,928,109)	(2,928,109)	(1,999,733)	928,376
Total other financing sources (uses)	(2,928,109)	(2,928,109)	(1,999,733)	928,376
Net change in fund balances	(1,496,264)	(1,496,264)	(526,421)	969,843
Fund balance - beginning	1,050,375	1,050,375	1,050,375	-
Fund balance - ending	\$ (445,889)	\$ (445,889)	\$ 523,954	\$ 969,843

Franklin County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Boating Improvement Fund
Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 240,068	\$ 240,068	\$ 79,230	\$ (160,838)
Miscellaneous revenues	500	500	53	(447)
Total revenues	240,568	240,568	79,283	(161,285)
Expenditures				
Capital outlay	269,142	269,142	65,844	203,298
Total expenditures	269,142	269,142	65,844	203,298
Excess (deficit) of revenues over (under) expenditures	(28,574)	(28,574)	13,439	42,013
Fund balance - beginning	45,276	45,276	45,276	-
Fund balance - ending	\$ 16,702	\$ 16,702	\$ 58,715	\$ 42,013

See accompanying notes

Franklin County, Florida
Statement of Net Assets
Proprietary Fund
September 30, 2011

Business-type Activities - Enterprise Fund

	Hospital
Assets	
Current assets	
Cash and cash equivalents	\$ 516,258
Accounts receivable, net	868,507
Due from other funds	345,857
Due from other governments	1,933
Prepaid expenses	79,549
Total current assets	1,812,104
Noncurrent assets	
Capital assets	
Land	13,400
Buildings	1,534,510
Machinery and equipment	1,302,812
Construction in progress	380,395
Less allowance for depreciation	(808,434)
Capital assets (net of accumulated depreciation)	2,422,683
Other assets	
Deposits	275,013
Total noncurrent assets	2,697,696
Total assets	4,509,800
Liabilities	
Current liabilities	
Accounts payable	305,902
Accrued liabilities	1,362,428
Deferred revenue	132,277
Accrued compensated absences - current	24,206
Leases payable - current	38,007
Notes payable - current	128,571
Total current liabilities	1,991,391
Noncurrent liabilities	
Accrued compensated absences	99,131
Leases payable	64,567
Notes payable	246,429
Total noncurrent liabilities	410,127
Total liabilities	2,401,518
Net assets	
Invested in capital assets, net of related debt	2,320,109
Unrestricted	(211,827)
Total net assets	\$ 2,108,282

Franklin County, Florida
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
Year Ended September 30, 2011

Business-type Activities - Enterprise Fund

	Hospital
<hr/>	
Operating revenues	
Charges for services	\$ 4,993,156
Other	164,147
<hr/>	
Total revenues	5,157,303
<hr/>	
Operating expenses	
Employee leasing	3,650,649
Advertising	27,497
Clinical supplies	684,031
Other contract services	801,010
Depreciation	235,573
Insurance	393,244
License and permits	20,905
Minor equipment	59,435
Other current charges	422,285
Other patient care related costs	197,695
Professional services	1,083,254
Repairs and maintenance	58,827
Supplies	81,731
Training and development	29,042
Travel	17,565
Utilities	184,002
<hr/>	
Total operating expenses	7,946,745
<hr/>	
Operating income (loss)	(2,789,442)
<hr/>	
Nonoperating revenues (expenses)	
Interest income	5,583
Operating contributions	710,696
Capital grants	35,927
Interest expense	(21,449)
<hr/>	
Total nonoperating revenues (expenses)	730,757
<hr/>	
Income (loss) before transfers	(2,058,685)
<hr/>	
Transfers in	2,505,326
<hr/>	
Change in net assets	446,641
<hr/>	
Net assets - beginning	1,661,641
<hr/>	
Net assets - ending	\$ 2,108,282
<hr/>	

See accompanying notes

Franklin County, Florida
Statement of Cash Flows
Proprietary Fund
Year Ended September 30, 2011

Business-type Activities - Enterprise Fund

	Hospital
Cash flows from operating activities	
Receipts from customers and others	\$ 5,464,362
Payments to suppliers	(3,823,263)
Payments to employees	(3,642,163)
<hr/>	
Net cash used in operating activities	(2,001,064)
<hr/>	
Cash flows from noncapital financing activities	
Grants received	35,927
Contributions	710,696
Transfers from other funds	2,505,326
<hr/>	
Net cash provided by noncapital financing activities	3,251,949
<hr/>	
Cash flows from capital and related financing activities	
Acquisition of capital assets	(978,130)
Repayment of principal on long-term debt	(97,684)
Interest paid on long-term debt	(21,449)
<hr/>	
Net cash used in capital and related financing activities	(1,097,263)
<hr/>	
Cash flows from investing activities	
Interest received	5,583
Net cash provided by investing activities	5,583
<hr/>	
Increase in cash and cash equivalents	159,205
<hr/>	
Cash and cash equivalents - beginning	357,053
<hr/>	
Cash and cash equivalents - ending	\$ 516,258

(Continued)

Franklin County, Florida
Statement of Cash Flows
Proprietary Fund (Continued)
Year Ended September 30, 2011

Business-type Activities - Enterprise Fund

	Hospital
Reconciliation of operating income (loss) to net cash used in operating activities	
Operating income (loss)	\$ (2,789,442)
Adjustments to reconcile operating income (loss) to net cash used in operating activities	
Depreciation	235,573
(Increase) decrease in assets	
Accounts receivables, net	171,361
Due from other funds	115,241
Due from other governments	(1,933)
Prepaid expenses	(15,601)
Deposits	(263,094)
Increase (decrease) in liabilities	
Accounts payable	(79,686)
Accrued liabilities	595,641
Deferred revenue	22,390
Compensated absences	8,486
Net cash used in operating activities	\$ (2,001,064)

Franklin County, Florida
Statement of Fiduciary Net Assets - Fiduciary Funds
September 30, 2011

	Agency Funds
<hr/>	
Assets	
Cash and cash equivalents	\$ 453,549
<hr/>	
Total assets	\$ 453,549
<hr/>	
Liabilities	
Due to individuals	\$ 23,267
Due to other funds	44,224
Due to other governments	132,225
Installments	252,263
Deposits	1,570
<hr/>	
Total liabilities	\$ 453,549
<hr/>	

See accompanying notes

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Component Units

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

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Governmental Funds

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

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

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

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

Proprietary Funds

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

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Basis of Presentation

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

Governmental Major Funds

- General – The general fund is the County's primary operating fund. It is used to account for all resources traditionally associated with governments except those required to be accounted for in other funds.
- Local option gas tax – This fund is used to account for the County's local option gas tax revenue earmarked for road construction and improvements.
- State housing initiatives partnership – This fund is used to account for the activity in the County's state housing initiatives partnership program (SHIP).
- Hospital Trust – This fund is used to account for the proceeds of the 1% discretionary sales surtax for the hospital.
- Boating Improvement – This fund is used to account for grant revenues related to improving boat ramps and other boating facilities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 amendments have been applied to original budgetary data.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

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

External Investment Pools

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

Derivatives and Similar Debt and Investment Items

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

Cash and Cash Equivalents

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

Restricted Assets

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

Accounts Receivable

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

Due from (to) Other Funds

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

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, rights of way, stormwater system, sidewalks, and similar items) are reported in the

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

statements for these amounts until payment is made. Compensated absences liability is based on current rates of pay.

Fund balances

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

Nonspendable – This category includes the resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The balance as of September 30, 2011 of \$129,708 is nonspendable.

Restricted – This category includes resources restricted by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. The balance as of September 30, 2011 of \$3,885,131, is restricted for specific purposes.

Committed – This category includes resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority which is the County Commissioners. There are no committed funds as of September 30, 2011.

Assigned – This category includes resources that are intended to be used for specific purposes, but is neither restricted nor committed. These are resources that have been set aside for a specific purpose by an authorized government body or official. The balance as of September 30, 2011 of \$9,690,393 is assigned for specific purposes.

Unassigned – This category is the residual classification for the County's fund balances. The balance as of September 30, 2011 is \$4,756,060.

Fund Reclassification

Fund reclassifications were required in order to report funds in accordance with GASB Statement No. 54. These fund reclassifications had the following effect on the County's governmental fund balances as previously stated:

Fund Balances	General Fund	Fines and Forfeitures	Other Major Funds Previously Reported and Unchanged	Other Governmental Funds	Total
Fund balance as previously reported	\$ 7,681,705	\$ 2,664,531	\$ 2,915,578	\$ 5,962,478	\$ 19,224,292
Fund reclassifications:					
Fines and forfeitures	2,664,531	(2,664,531)	-	-	-
Pier fund	1,658,394	-	-	(1,658,394)	-
Bald point trust fund	417,127	-	-	(417,127)	-

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances	General Fund	Fines and Forfeitures	Other Major Funds Previously Reported and Unchanged	Other Governmental Funds	Total
Library fund	\$ 48,187	\$ -	\$ -	\$ (48,187)	\$ -
Neighborhood revitalization	9,560	-	-	(9,560)	-
Capital projects	901,818	-	-	(901,818)	-
Property Appraiser's special revenue	541	-	-	(541)	-
Sheriff's special revenue	1,434	-	-	(1,434)	-
Total fund reclassifications	5,701,592	(2,664,531)	-	(3,037,061)	-
Restated fund balance as of October 1, 2010	\$ 13,383,297	\$ -	\$ 2,915,578	\$ 2,925,417	\$ 19,224,292

The fund reclassification did not have an effect on net assets as previously reported.

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, 2011 was 4.4450 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.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***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 were available to be issued.

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

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

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

Capital leases payable	\$ 1,008,712
Compensated absences	592,064
Net OPEB obligation	12,837,000
Landfill closing costs	1,837,335
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<i>Net adjustment to reduce fund balances - total governmental funds to arrive at net assets of governmental activities</i>	<i>\$ 16,275,111</i>

Notes to Financial Statements

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

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

Cost of capital assets	\$ 144,839,040
Less: accumulated depreciation	(48,345,606)
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<i>Net adjustment to increase fund balances - total governmental funds to arrive at net assets of governmental activities</i>	<i>\$ 96,493,434</i>
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Another element of that reconciliation states, "Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds." The details of this difference are as follows:

Deferred revenues	\$ 333,817
Notes receivable	(327,900)
<hr/>	
<i>Net adjustment to increase fund balances - total governmental funds to arrive at net assets of governmental activities</i>	<i>\$ 5,917</i>
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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, "the net effect of miscellaneous noncash transactions involving capital assets." The details of this difference are as follows:

Fair market value of donated assets	\$ 19,933
Loss on disposal of assets	(276)
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<i>Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities</i>	<i>\$ 19,657</i>
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Notes to Financial Statements

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

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

Compensated absences	\$ (48,936)
Change in deferred revenue	(30,154)
Change in OPEB liability	(4,304,000)
Landfill costs	(70,009)
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<i>Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities</i>	<i>\$ (4,453,099)</i>
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NOTE 3 – CASH AND INVESTMENTS***Deposits Policies***

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

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

Investments Policies

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

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

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

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

Direct obligations of the United States Treasury.

Notes to Financial Statements

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Federal agencies and instrumentalities.

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

The County had no investments at September 30, 2011.

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, 2011, 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, 2011, the County held deposits or investments that were considered to be a custodial risk. See below.

Concentration of Credit Risk

At September 30, 2011, the County did not hold any investments that were considered to be a concentration of credit risk.

At September 30, 2011, the County's cash and investments consisted of the following:

	Credit Rating	Current	0-5 Years	5-10 Years	Total Carrying Amount
Cash including money market fund	(1)	\$ 16,300,981	\$ -	\$ -	\$ 16,300,981
Local Government Surplus Trust Fund Pool		2,666,515	-	-	2,666,515
Total		\$ 18,967,496	\$ -	\$ -	\$ 18,967,496

Notes to Financial Statements

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

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

Local Government Surplus Funds Trust Fund (Florida PRIME)

The Florida PRIME portion of the pool (\$2,331,377) is considered a SEC 2a7-like fund and the account balance is the fair value of the investment.

The Fund B portion (\$335,138) is accounted for as a fluctuating NAV pool.

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

Interest rate risk – The weighted average days to maturity of the Florida PRIME at September 30, 2011 was 38 days. The weighted average life of Fund B at September 30, 2011 was 4.82 years. However because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life.

NOTE 4 – ACCOUNTS RECEIVABLE AND NOTES RECEIVABLE

Accounts receivables at September 30, 2011, consisted of the following:

Governmental Activities - Accounts/Notes Receivable	General	State Housing Initiatives Partnership	Other Govern- mental Funds	Total
Accounts receivable	\$ 126,910	\$ -	\$ 74,874	\$ 201,784
Notes receivable	-	433,360	327,900	761,260
(Allowance for doubtful accounts)	-	-	(327,900)	(327,900)
Accounts receivable, net	\$ 126,910	\$ 433,360	\$ 74,874	\$ 635,144

Business-type Activities - Accounts Receivable	Hospital
Accounts receivable	\$ 4,206,683
(Allowance for doubtful accounts)	(3,338,176)
Accounts receivable, net	\$ 868,507

Notes to Financial Statements

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

All interfund balances are due to timing differences and are expected to be repaid during the fiscal year ending September 30, 2011.

Internal balances at September 30, 2011, consist of the following:

Fund	Interfund Receivables	Interfund Payables
General	\$ 916,497	\$ 333,835
Special revenue		
Local option gas tax	-	7,500
County road and bridge	30,706	-
Fire protection	3,540	28,303
911 trust	-	533
Landfill	-	75,000
Mosquito control	-	4,337
Law enforcement educational trust	324	-
Hospital trust	-	394,702
Boating improvement	9,853	489,570
Airport	539	1,967
Clerk's fine and forfeitures	18,427	1,230
Clerk's modernization trust	11,234	-
Sheriff's special revenue	450	450
Total special revenue	75,073	1,003,592
Enterprise - hospital	345,857	-
Total	\$ 1,337,427	\$ 1,337,427

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

Notes to Financial Statements

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

Fund transferred from	Fund transferred to	Amount	Purpose
General	Nonmajor governmental funds	\$ 259,245	Purchase of equipment, operation of public library, and other allowable expenditures.
Local option gas tax	General	7,500	Return of funds
Nonmajor governmental funds	General	190,536	To record the budgeted transfers from the landfill fund, tourist development, and the 911 trust fund.
Hospital trust	Hospital	1,999,733	Transfer of ½ cent sales tax
General	Hospital	505,592	Transfer of operating cash
Total		\$ 2,962,606	

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended September 30, 2011, is as follows:

	September 30, 2010	Increases	Decreases	September 30, 2011
Capital assets not being depreciated				
Land	\$ 3,588,664	\$ 7,700	\$ -	\$ 3,596,364
Construction in progress	2,538,628	568,612	(2,326,152)	781,088
Total capital assets not being depreciated	6,127,292	576,312	(2,326,152)	4,377,452
Capital assets being depreciated				
Buildings	11,931,402	-	-	11,931,402
Improvements other than buildings	7,739,667	2,598,226	-	10,337,893
Machinery and equipment	13,149,171	629,084	(147,995)	13,630,260
Infrastructure	104,562,033	-	-	104,562,033
Total capital assets being depreciated	137,382,273	3,227,310	(147,995)	140,461,588

Notes to Financial Statements

NOTE 6 – CAPITAL ASSETS (CONTINUED)

	September 30, 2010	Increases	Decreases	September 30, 2011
Accumulated depreciation				
Buildings	\$ 3,884,543	\$ 229,981	\$ -	\$ 4,114,524
Improvements other than buildings	2,145,319	278,411	-	2,423,730
Machinery and equipment	10,492,945	801,562	(147,720)	11,146,787
Infrastructure	28,144,402	2,516,163	-	30,660,565
Total accumulated depreciation	44,667,209	3,826,117	(147,720)	48,345,606
Capital assets being depreciated - net	92,715,064	(598,807)	(275)	92,115,982
Total governmental activities' capital assets (net of accumulated depreciation)	\$ 98,842,356	\$ (22,495)	\$ (2,326,427)	\$ 96,493,434

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

General government	\$ 192,908
Court related	37,067
Public safety	423,115
Physical environment	156,616
Transportation	2,742,749
Economic environment	2,600
Human services	76,540
Culture and recreation	194,522
Total depreciation expense - governmental activities	\$ 3,826,117

Capital asset activity for the business-type activities for the year ended September 30, 2011, is as follows:

	September 30, 2010	Increases	Decreases	September 30, 2011
Capital assets not being depreciated				
Land	\$ 13,400	\$ -	\$ -	\$ 13,400
Construction in progress	821,273	256,701	(697,579)	380,395
Total capital assets not being depreciated	834,673	256,701	(697,579)	393,795
Capital assets being depreciated				
Buildings	254,323	1,280,187	-	1,534,510
Machinery and equipment	1,163,991	138,821	-	1,302,812
Total capital assets being depreciated	1,418,314	1,419,008	-	2,837,322

Notes to Financial Statements

NOTE 6 – CAPITAL ASSETS (CONTINUED)

	September 30, 2010	Increases	Decreases	September 30, 2011
Less accumulated depreciation				
Buildings	\$ 369,891	\$ 19,558	\$ -	\$ 389,449
Machinery and equipment	202,970	216,015	-	418,985
Total accumulated depreciation	572,861	235,573	-	808,434
Capital assets being depreciated - net	845,453	1,183,435	-	2,028,888
Total business-type activities' capital assets (net of accumulated depreciation)	\$ 1,680,126	\$ 1,440,136	\$ (697,579)	\$ 2,422,683

Depreciation expense charged to business-type activities for the year ended September 30, 2011 is \$235,573.

NOTE 7 – LONG-TERM DEBT

Long-term debt of the County's governmental activities for the year ended September 30, 2011, is as follows:

	Balance September 30, 2010	Additions	Deductions	Balance September 30, 2011	Due Within One Year
Loan to purchase Lombardi property, payable in monthly payments of \$6,333 including interest at 5.68% maturing April 2028.	\$ 962,519	\$ -	\$ 38,708	\$ 923,811	\$ 40,263
Lease purchase of equipment, payable in annual payments of \$30,304 including interest at 3.5% maturing in October 2013.	-	84,901	-	84,901	27,322
Long-term landfill closure and postclosure liability, see note 12.	1,767,327	70,008	-	1,837,335	-
Liability for postemployment benefits	8,533,000	4,304,000	-	12,837,000	-
Liability for compensated absences	543,128	48,936	-	592,064	126,110
Total	\$ 11,805,974	\$ 4,507,845	\$ 38,708	\$ 16,275,111	\$ 193,695

Notes to Financial Statements

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

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

Amount due during year ending September 30,	Note Payable/ Lombardi Property			Caterpillar		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 40,263	\$ 35,737	\$ 76,000	\$ 27,322	\$ 2,982	\$ 30,304
2013	41,881	34,119	76,000	28,299	2,005	30,304
2014	43,564	32,436	76,000	29,280	1,024	30,304
2015	45,315	30,685	76,000	-	-	-
2016	47,136	28,864	76,000	-	-	-
2017-2021	265,667	114,333	380,000	-	-	-
2022-2026	323,518	56,483	380,001	-	-	-
2027-2028	116,467	3,868	120,335	-	-	-
Total	\$ 923,811	\$ 336,525	\$ 1,260,336	\$ 84,901	\$ 6,011	\$ 90,912

Long-term debt of the County's business-type activities for the year ended September 30, 2011, is as follows:

	Balance September 30, 2010	Additions	Deductions	Balance September 30, 2011	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 in May 2015.	\$ 214,286	\$ -	\$ (32,143)	\$ 182,143	\$ 64,286
Office of Tourism, Trade, and Economic Development - loan #2 payable in quarterly payments of \$11,111 plus interest at 3%. Matures in August 2015.	225,000	-	(32,143)	192,857	64,285
Popular Leasing – medical night cabinet lease payable in monthly payments of \$259 including interest at 10.8%. Matures in August 2012.	5,261	-	(2,438)	2,823	2,823
Olympus – Colonoscope lease payable in monthly payments of \$1,731 including interest at 14%. Matures in August 2014.	74,427	-	(13,965)	60,462	17,416

Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

	Balance September 30, 2010	Additions	Deductions	Balance September 30, 2011	Due Within One Year
Wells Fargo – Endoscope lease payable in monthly payments of \$762 including interest at 4%. Matures in September 2012.	\$ 16,105	\$ -	\$ (7,899)	\$ 8,206	\$ 8,206
Ricoh – copier lease payable in monthly payments of \$1,334 including interest at 25%. Matures in October 2014.	40,179	-	(9,096)	31,083	9,562
Liability for compensated absences	114,851	8,486	-	123,337	24,206
Total	\$ 690,109	\$ 8,486	\$ (97,684)	\$ 600,911	\$ 190,784

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,	<u>OTTED Loan #1</u>			<u>OTTED Loan #2</u>		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 64,286	\$ 6,961	\$ 71,247	\$ 64,285	\$ 7,443	\$ 71,728
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	32,142	512	32,654	42,858	833	43,691
Total	\$ 182,143	\$ 12,295	\$ 194,438	\$ 192,857	\$ 13,741	\$ 206,598

Amount due during year ending September 30,	<u>Endoscope</u>			<u>Night Cabinet</u>		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 8,206	\$ 172	\$ 8,378	\$ 2,823	\$ 171	\$ 2,994
Total	\$ 8,206	\$ 172	\$ 8,378	\$ 2,823	\$ 171	\$ 2,994

Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

Amount due during year ending September 30,	Copier			Colonoscope		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 9,562	\$ 1,337	\$ 10,899	\$ 17,416	\$ 7,393	\$ 24,809
2013	10,051	848	10,899	20,258	4,551	24,809
2014	10,565	334	10,899	22,788	1,546	24,334
2015	905	3	908	-	-	-
Total	\$ 31,083	\$ 2,522	\$ 33,605	\$ 60,462	\$ 13,490	\$ 73,952

The carrying value of equipment under capital leases net of accumulated depreciation at September 30, 2011 is \$109,674.

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

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

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

Notes to Financial Statements

NOTE 8 – EMPLOYEE BENEFITS (CONTINUED)

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

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

Funding Policy

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

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

	October 1, 2010 Through June 30, 2011	July 1, 2011 Through September 30, 2011
Regular employees	10.77%	4.91%
Senior management	14.57%	6.27%
Elected county officials	18.64%	11.14%
Special risk employees	23.25%	14.10%
Special risk administrative support	13.24%	6.04%
DROP plan participants	12.25%	4.42%

Notes to Financial Statements

NOTE 8 – EMPLOYEE BENEFITS (CONTINUED)

Contribution rates equal actuarial determined rates. During the year ended September 30, 2011, total payroll for all employees and the retirement contributions for all employees covered by FRS were as follows:

	Covered Payroll	Retirement Contributions
Board of County Commissioners	\$ 1,988,486	\$ 203,168
Clerk of the Circuit Court	669,130	72,210
Sheriff	2,848,583	517,251
Property Appraiser	438,516	43,595
Tax Collector	293,928	36,586
Supervisor of Elections	144,528	20,351
Total	\$ 6,383,171	\$ 893,161

The County's contributions to the Plan for the years ended September 30, 2011, 2010 and 2009 were \$893,161, \$992,635 and \$956,640 respectively, which equal the required contributions. For the year ended September 30, 2011, retirement contributions represent 14% of the County's total covered payroll.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)Plan Description

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

Notes to Financial Statements

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

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

Funding Policy

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

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

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

Annual OPEB Cost and Net OPEB Obligation

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

Description	Total
Normal cost (service cost for one year)	\$ 2,361,000
Amortization of unfunded actuarial accrued liability	2,092,000
Amortization of net OPEB obligation	365,000
Annual required contribution	4,818,000
Interest on net OPEB obligation	169,000
Adjustment to annual required contribution	(365,000)
Annual OPEB cost (expense)	4,622,000
Contribution toward the OPEB cost	311,000
Interest on employer contribution	7,000
Increase in net OPEB obligation	4,304,000
Net OPEB obligation, beginning of year	8,533,000
Net OPEB obligation, end of year	\$ 12,837,000

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, 2011 was as follows:

Year ending September 30,	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 4,547,000	7%	\$ 4,229,000
2010	\$ 4,818,000	7%	\$ 8,533,000
2011	\$ 4,818,000	7%	\$ 12,837,000

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, 2011 is 13 years.

Notes to Financial Statements

NOTE 10 – FUND BALANCE

Fund balance consisted of the following amounts as of September 30, 2011:

Fund Balances	Amount
Nonspendable:	
General fund - prepaid expenses	\$ 54,168
Tourist development - prepaid expenses	75,540
Total Nonspendable Fund Balance	129,708
Restricted:	
911 trust fund	113,212
Airport	121,997
Bald point trust	408,042
Boating improvement fund	58,715
Clerk's modernization trust	120,253
Economic development fund	278,950
Hospital trust	523,954
Landfill	700,653
Law enforcement education trust	73,131
Law enforcement trust	3,151
Sheriff's special revenue funds	26,710
State housing initiatives partnership	79,419
Tourist development fund	1,376,944
Total Restricted Fund Balance	3,885,131
Assigned:	
Capital projects	404,007
Cash carry forward for FY 11/12	2,544,726
County road and bridge fund	511,687
Fines and forfeitures	2,788,255
Landfill	161,100
Library	29,558
Local option gas tax	1,465,641
Mosquito control fund	38,631
Pier	1,664,699
Sheriff's special revenue funds	82,089
Total Assigned Fund Balance	9,690,393
Total Unassigned Fund Balance	4,756,060
Total Fund Balance	\$ 18,461,292

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.

NOTE 11 – RISK MANAGEMENT (CONTINUED)

The funding agreements provide that the self-insurance fund will be self-sustaining through member premiums and that the Sheriff's liability fund will reinsure through commercial companies. Aggregate coverage provided by the liability fund is \$3,300,000 for professional liability and \$3,200,000 for public officials' coverage.

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

There has been no significant reduction in insurance coverage from the prior year and there have been 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
- 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 \$700,470 at September 30, 2011. 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 \$1,837,335 amount reported as landfills closure and postclosure care liability at September 30, 2011 (see note 7), represents the portion of costs to be incurred and reported as a liability to-date based on the use of 56% of the Class I landfill estimated capacity and 100% of the Class III (original) and 37% of the Class III (expansion)

NOTE 12 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS (CONTINUED)

landfill estimated capacity. Total estimated costs are projected at \$686,924 for closure and \$2,452,260 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, 2011. 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 \$250,000 in annual revenue.

Required Supplementary Information

Franklin County, Florida
 Required Supplementary Information
 Year Ended September 30, 2011

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

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

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

Fiscal Year Ended September 30,	Actual Contribution	Annual Required Contribution	Percentage Contributed
2009	\$ 311,000	\$ 4,547,000	7%
2010	\$ 311,000	\$ 4,818,000	7%
2011	\$ 311,000	\$ 4,818,000	7%

Combining Financial Statements

Franklin County, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2011

	Special Revenue				
	County Road and Bridge	911 Trust	Landfill	Fire Protection	Airport
Assets					
Cash and cash equivalents	\$ 83,836	\$ 353,154	\$ 234,253	\$ 61,620	\$ 72,843
Equity in pooled cash	215,100	-	700,470	-	-
Due from other funds	30,706	-	-	3,540	539
Due from other governmental units	202,237	10,139	-	-	128,364
Prepaid expenses	-	-	-	-	-
Notes receivable	-	-	-	-	-
Accounts receivable, net	6,610	-	37,640	5,467	18,936
Total assets	\$ 538,489	\$ 363,293	\$ 972,363	\$ 70,627	\$ 220,682
Liabilities and fund balances					
Liabilities					
Customer deposits	\$ -	\$ -	\$ 5,500	\$ -	\$ -
Vouchers payable	26,708	32,210	30,110	42,324	96,585
Due to other governmental units	94	-	-	-	133
Due to other funds	-	533	75,000	28,303	1,967
Deferred revenue	-	217,338	-	-	-
Total liabilities	26,802	250,081	110,610	70,627	98,685
Fund balances					
Nonspendable	-	-	-	-	-
Restricted	-	113,212	700,653	-	121,997
Assigned	511,687	-	161,100	-	-
Total fund balances	511,687	113,212	861,753	-	121,997
Total liabilities and fund balances	\$ 538,489	\$ 363,293	\$ 972,363	\$ 70,627	\$ 220,682

(Continued)

Franklin County, Florida
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
September 30, 2011

	Special Revenue				
	Tourist Development	Mosquito Control	Clerk's Fine and Forfeitures	Clerk Modernization Trust	Sheriff's Special Revenue
Assets					
Cash and cash equivalents	\$ 1,305,286	\$ 36,147	\$ 49,066	\$ 109,019	\$ 103,568
Equity in pooled cash	73,949	6,504	-	-	-
Due from other funds	-	-	18,427	11,234	450
Due from other governmental units	118,291	11,345	-	-	-
Prepaid expenses	75,540	-	-	-	-
Notes receivable	-	-	-	-	-
Accounts receivable, net	-	-	-	-	6,221
Total assets	\$ 1,573,066	\$ 53,996	\$ 67,493	\$ 120,253	\$ 110,239
Liabilities and fund balances					
Liabilities					
Customer deposits	\$ -	\$ -	\$ -	\$ -	\$ -
Vouchers payable	114,582	11,028	16,684	-	990
Due to other governmental units	6,000	-	49,579	-	-
Due to other funds	-	4,337	1,230	-	450
Deferred revenue	-	-	-	-	-
Total liabilities	120,582	15,365	67,493	-	1,440
Fund balances					
Nonspendable	75,540	-	-	-	-
Restricted	1,376,944	-	-	120,253	26,710
Assigned	-	38,631	-	-	82,089
Total fund balances	1,452,484	38,631	-	120,253	108,799
Total liabilities and fund balances	\$ 1,573,066	\$ 53,996	\$ 67,493	\$ 120,253	\$ 110,239

(Continued)

Franklin County, Florida
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
September 30, 2011

	Special Revenue			Total Nonmajor Governmental Funds
	Law Enforcement Educational Trust	Law Enforcement Trust	Economic Development CDBG	
Assets				
Cash and cash equivalents	\$ 72,807	\$ 3,151	\$ 12,718	\$ 2,497,468
Equity in pooled cash	-	-	266,232	1,262,255
Due from other funds	324	-	-	65,220
Due from other governmental units	-	-	-	470,376
Prepaid expenses	-	-	-	75,540
Notes receivable	-	-	327,900	327,900
Accounts receivable, net	-	-	-	74,874
Total assets	\$ 73,131	\$ 3,151	\$ 606,850	\$ 4,773,633
Liabilities and fund balances				
Liabilities				
Customer deposits	\$ -	\$ -	\$ -	\$ 5,500
Vouchers payable	-	-	-	371,221
Due to other governmental units	-	-	-	55,806
Due to other funds	-	-	-	111,820
Deferred revenue	-	-	327,900	545,238
Total liabilities	-	-	327,900	1,089,585
Fund balances				
Nonspendable	-	-	-	75,540
Restricted	73,131	3,151	278,950	2,815,001
Assigned	-	-	-	793,507
Total fund balances	73,131	3,151	278,950	3,684,048
Total liabilities and fund balances	\$ 73,131	\$ 3,151	\$ 606,850	\$ 4,773,633

Franklin County, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended September 30, 2011

	Special Revenue				
	County Road and Bridge	911 Trust	Landfill	Fire Protection	Airport
Revenues					
Taxes	\$ 12,761	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	349,902	-
Intergovernmental	1,274,011	259,643	-	-	881,745
Fines and forfeitures	-	-	-	-	-
Charges for services	-	-	457,942	-	-
Investment earnings and other	17,090	9,127	2,559	5,099	71,334
Total revenues	1,303,862	268,770	460,501	355,001	953,079
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	-	76,627	-	355,001	-
Physical environment	-	-	368,281	-	-
Transportation	1,300,159	-	-	-	358,936
Economic environment	-	-	-	-	-
Human services	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Court related	-	-	-	-	-
Capital outlay	141,622	141,607	-	-	579,707
Debt service	-	-	-	-	-
Total expenditures	1,441,781	218,234	368,281	355,001	938,643
Excess (deficit) of revenues over (under) expenditures	(137,919)	50,536	92,220	-	14,436
Other financing sources (uses)					
Transfers in	128,982	-	-	-	-
Transfers out	-	(50,536)	(75,000)	-	-
Proceeds from debt	84,901	-	-	-	-
Reversion to State of Florida	-	-	-	-	-
Total other financing sources (uses)	213,883	(50,536)	(75,000)	-	-
Net change in fund balances	75,964	-	17,220	-	14,436
Fund balances - beginning	435,723	113,212	844,533	-	107,561
Fund balances - ending	\$ 511,687	\$ 113,212	\$ 861,753	\$ -	\$ 121,997

(Continued)

Franklin County, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
Year Ended September 30, 2011

	Special Revenue				
	Tourist Development	Mosquito Control	Clerk's Fine and Forfeitures	Clerk Modernization Trust	Sheriff's Special Revenue
Revenues					
Taxes	\$ 803,141	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	-	39,000	640,451	-	-
Fines and forfeitures	-	-	-	-	34,536
Charges for services	-	-	-	47,661	-
Investment earnings and other	1,143,749	438	-	561	52,858
Total revenues	1,946,890	39,438	640,451	48,222	87,394
Expenditures					
Current					
General government	-	-	-	1,475	-
Public safety	-	-	-	48,638	44,823
Physical environment	-	-	-	-	-
Transportation	-	-	-	-	-
Economic environment	794,704	-	-	-	-
Human services	-	140,755	-	-	-
Culture and recreation	381,034	-	-	-	-
Court related	-	-	547,201	-	-
Capital outlay	-	-	-	2,250	42,266
Debt service	76,000	-	-	-	-
Total expenditures	1,251,738	140,755	547,201	52,363	87,089
Excess (deficit) of revenues over (under) expenditures	695,152	(101,317)	93,250	(4,141)	305
Other financing sources (uses)					
Transfers in	-	120,325	-	-	-
Transfers out	(65,000)	-	-	-	-
Proceeds from debt	-	-	-	-	-
Reversion to State of Florida	-	-	(93,250)	-	-
Total other financing sources (uses)	(65,000)	120,325	(93,250)	-	-
Net change in fund balances	630,152	19,008	-	(4,141)	305
Fund balances - beginning	822,332	19,623	-	124,394	108,494
Fund balances - ending	\$ 1,452,484	\$ 38,631	\$ -	\$ 120,253	\$ 108,799

(Continued)

Franklin County, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
Year Ended September 30, 2011

	<u>Special Revenue</u>			Total Nonmajor Governmental Funds
	Law Enforcement Educational Trust	Law Enforcement Trust	Economic Development CDBG	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ 815,902
Licenses and permits	-	-	-	349,902
Intergovernmental	-	-	-	3,094,850
Fines and forfeitures	-	-	-	34,536
Charges for services	4,580	-	-	510,183
Investment earnings and other	352	12	743	1,303,922
Total revenues	4,932	12	743	6,109,295
Expenditures				
Current				
General government	-	-	-	1,475
Public safety	-	-	-	525,089
Physical environment	-	-	-	368,281
Transportation	-	-	-	1,659,095
Economic environment	-	-	-	794,704
Human services	-	-	-	140,755
Culture and recreation	-	-	-	381,034
Court related	-	-	-	547,201
Capital outlay	-	-	-	907,452
Debt service	-	-	-	76,000
Total expenditures	-	-	-	5,401,086
Excess (deficit) of revenues over (under) expenditures	4,932	12	743	708,209
Other financing sources (uses)				
Transfers in	-	-	-	249,307
Transfers out	-	-	-	(190,536)
Proceeds from debt	-	-	-	84,901
Reversion to State of Florida	-	-	-	(93,250)
Total other financing sources (uses)	-	-	-	50,422
Net change in fund balances	4,932	12	743	758,631
Fund balances - beginning	68,199	3,139	278,207	2,925,417
Fund balances - ending	\$ 73,131	\$ 3,151	\$ 278,950	\$ 3,684,048

Franklin County, Florida
Combining Balance Sheet
Agency Funds
September 30, 2011

Agency Funds - Clerk

	Trust Funds	Registry of Court	Child Support
Assets			
Cash and cash equivalents	\$ 114,966	\$ 10,737	\$ 359
Total assets	\$ 114,966	\$ 10,737	\$ 359
Liabilities			
Due to individuals	\$ 191	\$ 10,737	\$ 359
Due to other funds	38,218	-	-
Due to other governments	76,557	-	-
Deposits	-	-	-
Installments	-	-	-
Total liabilities	\$ 114,966	\$ 10,737	\$ 359

(Continued)

Franklin County, Florida
Combining Balance Sheet
Agency Funds (Continued)
September 30, 2011

	<u>Agency Funds - Sheriff</u>		<u>Agency Funds - Tax Collector</u>		
	Bonds	Inmate Trust	Tax	Tag Agency	Total
Assets					
Cash and cash equivalents	\$ 5,038	\$ 6,942	\$ 301,902	\$ 13,605	\$ 453,549
Total assets	\$ 5,038	\$ 6,942	\$ 301,902	\$ 13,605	\$ 453,549
Liabilities					
Due to individuals	\$ 5,038	\$ 6,942	\$ -	\$ -	\$ 23,267
Due to other funds	-	-	-	6,006	44,224
Due to other governments	-	-	48,069	7,599	132,225
Deposits	-	-	1,570	-	1,570
Installments	-	-	252,263	-	252,263
Total liabilities	\$ 5,038	\$ 6,942	\$ 301,902	\$ 13,605	\$ 453,549

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, 2011, and have issued our report thereon dated June 28, 2012.

We conducted our audit in accordance with audit standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, Independent Auditor's Report on Compliance with Requirements Applicable to each Major Federal Program and State Project and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated June 28, 2012, 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.

- Findings reported the two previous years include 11-01, 11-02 and 11-03.

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 or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

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

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

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

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for Franklin County, Florida for the fiscal year ended September 30, 2011, 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, 2011. In connection with our audit, we determined that these two reports were in agreement.

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

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

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

June 28, 2012

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

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

We have audited 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, 2011, which collectively comprise Franklin County, Florida’s basic financial statements and have issued our report thereon dated June 28, 2012. 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

Management of Franklin County, Florida, is responsible for establishing and maintaining effective 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 the effectiveness of Franklin County, Florida’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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 11-03, 11-04 and 11-05.

A *significant deficiency* is a deficiency, or a 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 deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies: 11-01 and 11-02.

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.

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

June 28, 2012

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

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

Compliance

We have audited Franklin County, Florida’s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the Florida Department of Financial Services’ *State Projects Compliance Supplement* could have a direct and material effect on each of the County’s major federal programs and state financial assistance projects for the year ended September 30, 2011. Franklin County, Florida’s major federal programs and state projects are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major programs is the responsibility of Franklin County, Florida’s management. Our responsibility is to express an opinion on Franklin County, Florida’s compliance based on our audit.

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

In our opinion, Franklin County, Florida, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major programs for the year ended September 30, 2011.

Internal Control Over Compliance

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

audit, we considered Franklin County, Florida's internal control over compliance with the requirements that could have a direct and material effect on a major program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Franklin County, Florida's internal control over compliance.

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

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

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

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

June 28, 2012

Franklin County, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance
Year Ended September 30, 2011

Federal Award Programs	CFDA Number	Contract /Grant Number	Expenditures
U.S. Department of Agriculture Forest Service			
Passed through Florida Department of Financial Services Schools and Roads Grant	10.665	n/a	\$ 21,007
Total U.S. Department of Agriculture Forest Service			21,007
U.S. Department of Housing and Urban Development			
Passed through Department of Community Affairs Community Development Block Grant - Pine Log Bridge	14.228	10DB-J4-02-29-01-K12	15,390
Community Development Block Grant - EPWSD Grant	14.228	09DB-1A-02-29-01-N76	263,049
Total U.S. Department of Housing and Urban Development			278,439
U.S. Department of Justice			
Passed through Department of Legal Affairs Crime Victim Assistance	16.575	V10100	18,935
Passed through Florida Department of Law Enforcement Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589	2010-WR-AX-0014	4,874
Edward Byrne Law Enforcement Grant	16.738	2011-JAGD-FRAN-1-B3-028	2,457
Edward Byrne Memorial Justice Assistance Grant - Narcotics Unit Urban Enforcement	16.738	2011-JAGC-FRAN-1-B2-073	112,033
Total U.S. Department of Justice			138,299
U.S. Department of Transportation			
Passed through Florida Department of Transportation Highway Planning and Construction SR30 (US98) Multi-Use Path Carrabelle Beach	20.205	42574013801	17,677
Passed through Federal Aviation Administration Airport Improvement Program Airport - Rehab Runway 14/32	20.106	FAA# 3-12-0001-006-2011	26,916
Airport- Land Acquisition for Runway 1-3 RPZ	20.106	41818719401	225
Total U.S. Department of Transportation			44,818
U.S. Department of Health and Human Services			
Passed through Florida Department of Health State Rural Hospital Flexibility Program	93.241	DO239209	5,000
Small Rural Hospital Improvement Grant Program	93.301	DO200463	8,005
Passed through Florida Department of Revenue Child Support Enforcement Title IV-D CSE	93.563	n/a	40,436
Child Support Enforcement HRS Service of Process	93.563	CSP-19	2,660
Total U.S. Department of Health and Human Services			56,101
U.S. Department of Homeland Security			
Passed through Florida Department of Community Affairs Disaster Grants - Public Assistance FEMA-DR-1551 PW 340	97.036	05-PA-G--02-02-01-585	6,585
FEMA-1595-DR-FL	97.036	06-DN-@G-02-29-01-588	16,271
Homeland Security Grant	97.067	10DS-39-02-29-01-258	2,500
Homeland Security Grant	97.067	11DS-9Z-02-29-01-310	15,000
Total U.S. Department of Homeland Security			40,356
Total Expenditures of Federal Awards			\$ 579,020

(Continued)

Franklin County, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance (Continued)
Year Ended September 30, 2011

State Financial Assistance Projects	CSFA Number	Contract/Grant Number	Expenditures
Department of Environmental Protection			
Small County Consolidated Grants	37.012	108SC	\$ 70,588
Special Recreation Assistance Projects			
Lombardis Seafood Landing Park	37.071	L0813	4,297
Total Department of Environmental Protection			74,885
Department of Agriculture			
Mosquito Control	42.003	016048	39,000
Aquaculture Development Projects	42.015	015581	50,081
Total Department of Agriculture			89,081
Department of State			
State Aid to Libraries	45.030	n/a	61,789
Total Department of State			61,789
Department of Community Affairs			
Emergency Management Preparedness Grant	52.008	11-BG-05-05-02-01-138	77,043
Total Department of Community Affairs			77,043
Florida Housing Finance Agency			
Florida Homebuyer Opportunity Program	52.901	2009/2010	298,546
Total Florida Housing Finance Agency			298,546
Department of Transportation			
Aviation Development Grants			
Airport Relocate Water & Sewer	55.004	AP088	34,580
Airport Construct/Airport Road	55.004	AO271	1,182
Airport Construct Maintenance Hangar	55.004	APP63	850
Airport Stormwater Sewer Upgrade PH III	55.004	AP273	46,882
Airport Land Survey and Appraisal	55.004	AOZ2501	500
Airport Rehab Corporate Hangars & T-Hangars	55.004	AQ501	110
Airport 10,000 SF Hangar/Office Phase III	55.004	APC84	533,810
Airport Rehabilitate County Hangar Phase II	55.004	APA07	160
Airport Corporate Hangar/Office	55.004	AQ502	335
Airport Rehab Runway 14/32	55.004	AQE80	1,417
County Incentive Grant Program			
Resurface Brownsville Road	55.008	AQ084	582,681
Transportation Regional Incentive Grants			
Airport Stormwater Sewer Upgrade	55.026	AP925	234,778
Total Department of Transportation			1,437,285
Department of Health			
County Grant Awards	64.005	n/a	554
County Grant Awards	64.005	n/a	793
Total Department of Health			1,347
Department of Management Services			
Wireless 911 Emergency Telephone System Grants			
Supplemental Grant Program	72.001	n/a	54,863
E911 Database Grant	72.001	11-04-32	12,428
E911 Database Maintenance Grant	72.001	10-10-06	1,700
Rural County Spring Award 09/10	72.001	10-03-02	131,260
Total Department of Management Services			200,251

(Continued)

Franklin County, Florida
 Schedule of Expenditures of Federal Awards
 and State Financial Assistance (Continued)
 Year Ended September 30, 2011

State Financial Assistance Projects (Continued)	CSFA Number	Contract/Grant Number	Expenditures
State Courts System - Office of Court Administration			
Courthouse Facilities Grant	22.004	n/a	\$ 16,305
Total Office of Court Administration			16,305
Florida Fish & Wildlife Conservation Commission			
Florida Boating Improvement Program			
Ochlockonee Bay Boat Ramp Phase II	77.006	08067	65,844
Total Florida Fish & Wildlife Conservation Commission			65,844
Total Expenditures of State Financial Assistance			\$ 2,322,376

Franklin County, Florida
 Schedule of Findings and Questioned Costs
 Year Ended September 30, 2011

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? X yes ___ no
 Significant deficiency(ies) identified not
 considered to be material weaknesses? X yes ___ none reported
 Noncompliance material to financial statements noted? ___ yes X no

Federal Awards and State Financial Assistance

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

Identification of major federal programs and state projects:

<u>CFDA/CSFA Number</u>	<u>Name of Federal Award/State Financial Assistance Project</u>
14.228	U.S. Department of Housing and Urban Development Community Development Block Grant
55.004	Department of Transportation Aviation Development Grants
55.008	Department of Transportation County Incentive Grant Program
55.026	Department of Transportation Transportation Regional Incentive Grants
72.001	Florida Fish & Wildlife Conservation Commission Wireless 911 Emergency Telephone System Grant

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

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

Franklin County, Florida
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2011

Section II - Financial Statement Findings

11-01 (Prior year 10-01 and 09-01) Significant Audit Adjustments

Board of County Commissioners

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

Management's response -

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

11-02 (Prior year 10-02 and 09-02) Inadequate Design of Internal Controls

Board of County Commissioners

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

11-03 (Prior year 10-03 and 09-03) Need for Segregation of Duties

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

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

(Continued)

Franklin County, Florida
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2011

11-04 Significant Audit Adjustments

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.

11-05 Inadequate Design of Internal Controls

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

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

Management's response -

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

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

No such findings or questioned costs in the current year.

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

No such findings or questioned costs in the current year.

Section IV - Other Issues

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

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

Franklin County, Florida
Notes to Schedule of Expenditures of
Federal Awards and State Financial Assistance
Year Ended September 30, 2011

NOTE 1 – BASIS OF ACCOUNTING

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

NOTE 2 – REPORTING ENTITY

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

NOTE 3 – PASS-THROUGH AWARDS

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