

Franklin County, Florida
Annual Financial Report
September 30, 2012

Vance CPA, LLC

Certified Public Accountant

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BOARD OF COUNTY COMMISSIONERS

Pinki Jackel – District 1

Cheryl Sanders – District 2

Noah Lockley, Jr. – District 3

Joseph Parrish – District 4

Bevin L. Putnal – District 5

CONSTITUTIONAL OFFICERS

Clerk of the Circuit Court

Marcia M. Johnson

Sheriff

Skip Shiver

Tax Collector

James A. Harris, Jr.

Property Appraiser

Doris B. Pendleton

Supervisor of Elections

Ida C. Elliott

FRANKLIN COUNTY, FLORIDA
SEPTEMBER 30, 2011

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Franklin County, Florida as of and for the year ended September 30, 2012, 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 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. We were not engaged to perform an audit of the County's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund and the Major Special Revenue Funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 18, 2013, on our consideration of Franklin County, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 3 through 10, the schedules of funding progress and employer contributions for the retiree's Health Insurance Other Postemployment Benefits Plan on page 50 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Franklin County, Florida's basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by OMB Circular A-133 and chapter 10.550, *Rules of the Auditor General* of the State of Florida, and the combining nonmajor fund financial statements and schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vance CPA LLC

Vance CPA LLC
June 25, 2013

**FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

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

Financial Highlights

- The County's total net assets decreased \$3,256,265 or 3% from September 30, 2011, to September 30, 2012.
- During the year ended September 30, 2012, the financial statements show that the County's general fund revenues exceeded expenditures by \$197,051. However, total expenditures in the general fund were less than budgeted amounts.
- The County's capital assets, net of accumulated depreciation, decreased \$2,177,471 which represents a decrease of 2% for the year.

Nonfinancial Events

- The County received \$112,000 in federal fund through the Florida Department of Agriculture for a re-shelling project on Apalachicola Bay. The bay had suffered a decrease in oyster population and the re-shelling project will assist with future harvests.
- With federal funding provided by the American Recovery and Reinvestment Act, the County made energy efficient improvements to the Franklin County main courthouse and annex in Apalachicola. The grant provided for the replacement of 1930's era windows on the bottom floor of the main courthouse, installation of solar energy film on all other windows in the main courthouse, conversion from window units which heated and cooled individual offices in the main courthouse to centralized heating and air conditioning, and the installation of solar panels on top of the annex roof.
- With funding provided by the Federal Aviation Administration and Florida Department of Transportation, the County completed a major rehabilitation of runway 14-32 at the Apalachicola/Franklin County Airport. The expansive runways at the airport were constructed during the 1940's and are long enough to accommodate corporate aircraft.
- The County received the third and final \$555,564 installment of the BP Tourism Enhancement Funds. The funding provided supplemental funds to the existing 2% tourist development tax proceeds to be used for the advertising and promotion of Franklin County as a tourist destination.
- 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. The current balance available in the Health Care Trust fund for capital improvements is \$895,553.

- The County's 2011 gross taxable value as certified by the Franklin County Property Appraiser declined by 158 million dollars from the 2010 certified value. Consequently, the millage rate was increased to 4.9800 mills in Fiscal Year 2011/2012 with budgeted property tax proceeds of \$9,457,667. The budgeted proceeds were \$506,381 more than the budgeted proceeds in Fiscal Year 2010/2011. The 2010/2011 budget was funded in part by a one-time transfer of \$500,000 out of the County's capital outlay fund into the County's general fund. The hiring freeze remains in effect and the total budgeted positions remain unchanged at 168.5 down from a high in 2006/2007 of 191 budgeted positions. The County has not approved any across the board salary increases since October 1, 2008.

Overview of the Financial Statements

The basic financial statements consist of three components:

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

In addition, this report presents certain required supplementary information.

Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the County's overall financial condition in a manner similar to those of a private-sector business. This statement combines and consolidates governmental fund's current financial resources (short-term expendable resources) with capital assets and long-term obligations. The statements include a *statement of net 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 2012 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 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 \$104 million at September 30, 2012, and \$101 million at September 30, 2011.

Franklin County's Net Assets						
September 30,	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 19,814,218	\$ 20,488,039	\$ 2,132,154	\$ 2,087,117	\$ 21,946,372	\$ 22,575,156
Capital assets, net	<u>94,275,152</u>	<u>96,493,434</u>	<u>2,463,494</u>	<u>2,422,683</u>	<u>96,738,646</u>	<u>98,916,117</u>
Total assets	<u>114,089,370</u>	<u>116,981,473</u>	<u>4,595,648</u>	<u>4,509,800</u>	<u>118,685,018</u>	<u>121,491,273</u>
Current and other liabilities	1,501,547	2,214,525	1,244,894	1,991,391	2,746,441	4,205,916
Long-term liabilities	<u>11,606,455</u>	<u>16,081,416</u>	<u>282,043</u>	<u>410,127</u>	<u>11,888,498</u>	<u>16,491,543</u>
Total liabilities	<u>13,108,002</u>	<u>18,295,941</u>	<u>1,526,937</u>	<u>2,401,518</u>	<u>14,634,939</u>	<u>20,697,459</u>
Net assets:						
Invested in capital assets, net of related debt	93,353,368	95,484,722	2,388,610	2,320,109	95,741,978	97,804,831
Restricted	5,366,197	3,184,478	—	—	5,366,197	3,184,478
Unrestricted	<u>2,261,803</u>	<u>16,332</u>	<u>680,101</u>	<u>(211,827)</u>	<u>2,941,904</u>	<u>(195,495)</u>
Total net assets	<u>\$100,981,368</u>	<u>\$ 98,685,532</u>	<u>\$ 3,068,711</u>	<u>\$ 2,108,282</u>	<u>\$104,050,079</u>	<u>\$100,793,814</u>

**Franklin County's Statement of Activities
For The Years Ended September 30, 2012 and 2011**

The following schedule summarizes revenues and expenses for the years ended September 30, 2012, and 2011:

Year ended Sept 30,	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Program Revenues						
Charges for services	\$ 1,796,667	\$ 1,829,877	\$ 6,208,205	\$ 4,993,156	\$ 8,004,872	\$ 6,823,033
Operating grants and contributions	3,319,745	2,620,324	516,842	710,696	3,836,587	3,331,020
Capital grants and contributions	1,406,160	947,589	17,716	35,927	1,423,876	983,516
General Revenues-						
Property taxes	9,168,673	8,969,077	—	—	9,168,673	8,969,077
Other taxes	4,932,852	5,009,560	—	—	4,932,852	5,009,560
Investment earnings	99,286	92,026	2,497	5,583	101,783	97,609
Other	5,072,020	3,287,343	—	164,147	5,072,020	3,451,490
Transfers	(1,785,145)	(2,505,326)	1,785,145	2,505,326	—	—
Total revenues	24,010,258	20,250,470	8,530,405	8,414,835	32,540,663	28,665,305
Expenses						
Program activities						
General government	3,665,907	4,595,757	—	—	3,665,907	4,595,757
Public safety	5,906,184	9,991,047	—	—	5,906,184	9,991,047
Physical environment	1,916,002	2,070,117	—	—	1,916,002	2,070,117
Transportation	4,857,071	5,838,517	—	—	4,857,071	5,838,517
Economic environment	1,647,191	1,170,072	—	—	1,647,191	1,170,072
Human services	864,990	1,000,047	—	—	864,990	1,000,047
Culture and recreation	1,367,312	1,517,554	—	—	1,367,312	1,517,554
Court related	1,450,977	1,641,282	—	—	1,450,977	1,641,282
Interest and other charges	38,788	37,292	—	—	38,788	37,292
Business-type activities	—	—	7,569,976	7,968,194	7,569,976	7,968,194
Total expenses	21,714,422	27,861,685	7,569,976	7,968,194	29,284,398	35,829,879
Increase (decrease)	\$ 2,295,836	\$ (7,611,215)	\$ 960,429	\$ 446,641	\$ 3,256,265	\$ (7,164,574)

Financial Analysis of Individual Funds

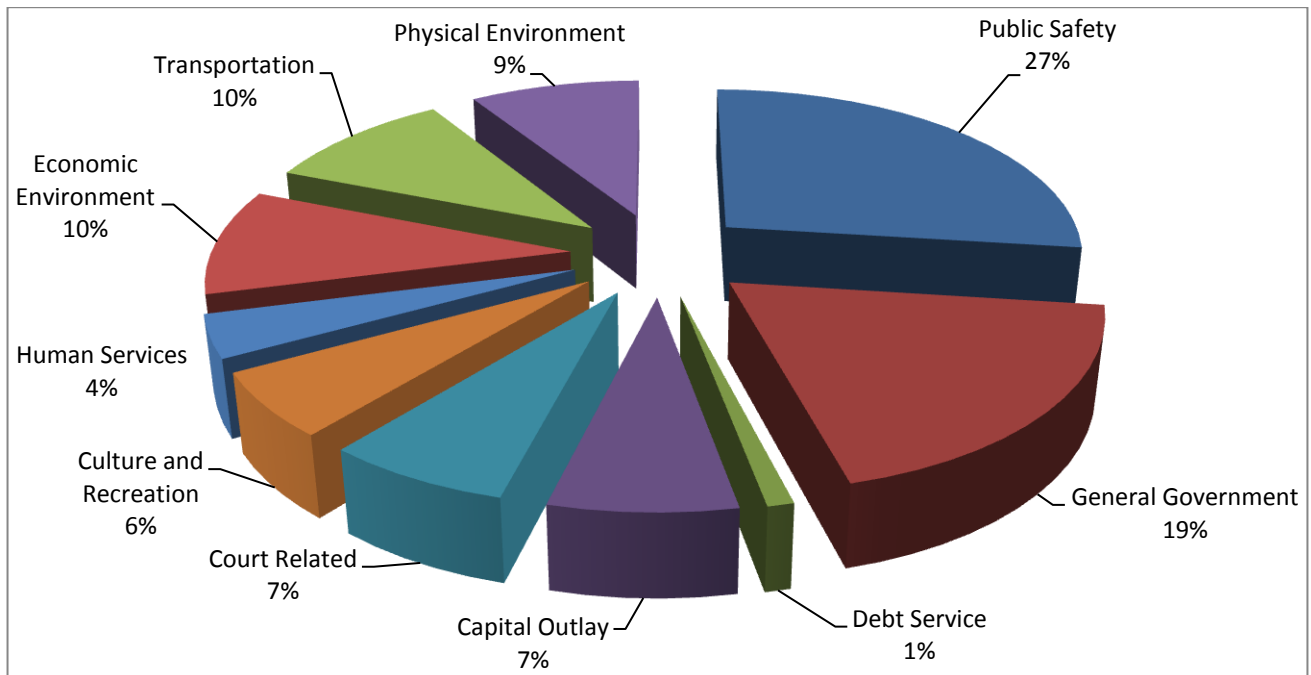
This section provides an analysis of the balances and transactions of individual funds. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 2012, the county’s governmental funds reported combined ending fund balances of \$18,172,144. Of this amount, *unassigned fund balance* is \$8,492,239.

Total Governmental Funds Expenditures by Functions



Major Funds

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

- The general fund is the general operating fund of the County. All general tax revenues and other receipts that are not required either legally or by generally accepted accounting principles to be accounted for in other funds are accounted for in the general fund.
- General operating funds of the clerk of the Circuit Court, Property Appraiser, Sheriff, Tax Collector, and Supervisor of Elections represent sub funds of the County's general fund that are held and accounted for individually, but presented with the balance of the Board of County Commissioners' operating funds.
- The State housing initiative partnership is comprised of State grant funds which are primarily used for low to moderate income recipients for rehabilitation of existing homes, down payment assistance for purchase of new home, emergency repairs, and construction of new homes throughout Franklin County.
- The CDBG fund accounts for grant revenues related to improving economic conditions in the County.

Budget Variances in the Major Funds

- Tax revenue of the general fund shows a negative budget variance of \$293,096. 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 2011 taxable value to properties.
- The general fund shows a negative budget variance of \$97,965 in the category of charges for services revenues. This variance is primarily caused by anticipated grant revenues not being earned in the current year.

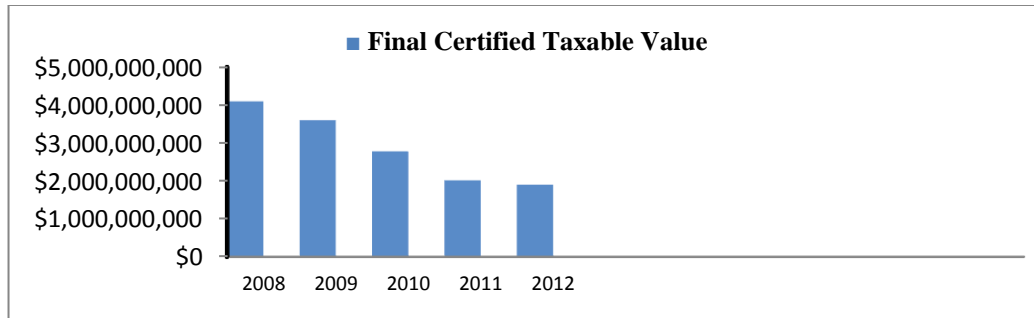
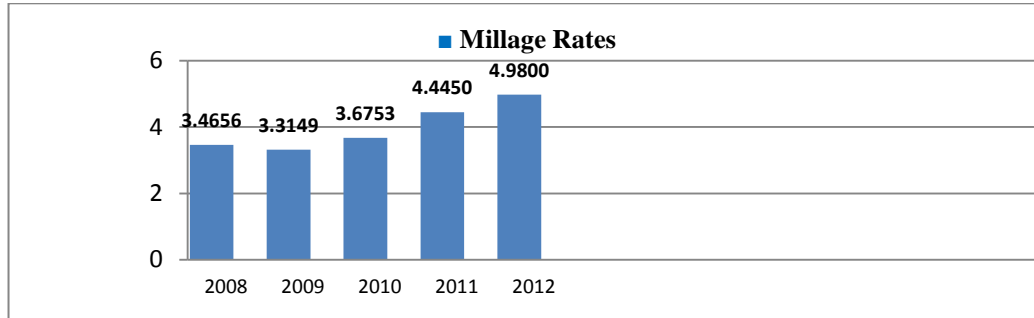
Capital Assets and Long-Term Debt

Below is a summary of the large projects that are still in progress at the end of the current fiscal year, many of these projects will take longer than one fiscal year to complete.

- Boating Improvement Projects: The County received a Florida Boating Improvement Program Grant which provided a 67% of the funding needed to design and permit an unloading dock with a 100 foot mooring wall at the Abercrombie Boat Ramp and bathroom facilities at the St. George Island Boat Ramp. Construction (phase II) will begin once grant funds become available.
- 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. This is the second year of this project and it is nearly complete.
- Equipment purchased which increased capital asset value: The County purchased a \$9,500 22KW Generator to provide emergency power to the Supervisor of Elections Office location; voters will have access to the polls even in the instance that power is lost at the location.
- The County issued no new long-term debt during the 2012 fiscal year.

Significant Economic Factors
Taxable Value of Property and Millage Rates

The County received approximately \$9.17 million in property taxes based on the certified taxable value of property in Franklin County. This represents an increase from the prior year of \$310,000 and is a result of an increase in millage rates as depicted in the following graphs.



Requests for Information

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

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

BASIC FINANCIAL STATEMENTS

**FRANKLIN COUNTY, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 14,741,586	\$ 583,693	\$ 15,325,279
Equity in pooled cash	2,432,203	—	2,432,203
Accounts receivable, net	266,095	1,216,953	1,483,048
Notes receivable	421,210	—	421,210
Internal balances	(223,997)	223,997	—
Prepaid expenses	183,856	82,511	266,367
Due from other governments	1,993,265	—	1,993,265
Deposits	—	25,000	25,000
Non-Depreciable Capital Assets	4,108,539	347,894	4,456,433
Depreciable Capital Assets, Net	<u>90,166,613</u>	<u>2,115,600</u>	<u>92,282,213</u>
Total Assets	<u>114,089,370</u>	<u>4,595,648</u>	<u>118,685,018</u>
LIABILITIES & NET ASSETS			
Accounts payable and accrued expenses	491,378	237,874	729,252
Accrued liabilities	—	655,628	655,628
Due to other governments	131,139	—	131,139
Deferred revenue	685,157	213,863	899,020
Long-term liabilities			
Customer deposits	6,500	—	6,500
Due within one year			
Accrued compensated absences	117,193	19,284	136,477
Notes and leases payable	70,180	118,245	188,425
Due in more than one year			
Accrued compensated absences	351,579	78,975	430,554
Notes and leases payable	851,604	203,068	1,054,672
Net OPEB obligation	8,563,813	—	8,563,813
Landfill closure liability	<u>1,839,459</u>	<u>—</u>	<u>1,839,459</u>
Total Liabilities	<u>13,108,002</u>	<u>1,526,937</u>	<u>14,634,939</u>
NET ASSETS			
Invested in capital assets, net of related debt	93,353,368	2,388,610	95,741,978
Restricted	5,366,197	—	5,366,197
Unrestricted	<u>2,261,803</u>	<u>680,101</u>	<u>2,941,904</u>
Total Net Assets	<u>\$ 100,981,368</u>	<u>\$ 3,068,711</u>	<u>\$ 104,050,079</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues/</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Primary Government							
Governmental activities							
General government	\$ 3,665,907	\$ 255,446	\$ 44,799	\$ —	\$(3,365,662)	\$ —	\$ (3,365,662)
Public safety	5,906,184	377,949	438,319	—	(5,089,916)	—	(5,089,916)
Physical environment	1,916,002	761,654	1,079,337	751,715	676,704	—	676,704
Transportation	4,857,071	170,384	618,415	654,445	(3,413,827)	—	(3,413,827)
Economic environment	1,647,191	—	329,672	—	(1,317,519)	—	(1,317,519)
Human services	864,990	—	713,252	—	(151,738)	—	(151,738)
Culture and recreation	1,367,312	1,800	95,951	—	(1,269,561)	—	(1,269,561)
Court related	1,450,977	229,434	—	—	(1,221,543)	—	(1,221,543)
Interest long-term debt	38,788	—	—	—	(38,788)	—	(38,788)
Total Governmental Activities	<u>21,714,422</u>	<u>1,796,667</u>	<u>3,319,745</u>	<u>1,406,160</u>	<u>(15,191,850)</u>		<u>(15,191,850)</u>
Business-Type Activities							
Hospital	<u>7,569,976</u>	<u>6,208,205</u>	<u>516,842</u>	<u>17,716</u>	<u>—</u>	<u>(827,213)</u>	<u>(16,019,063)</u>
Total Primary Government	<u>\$29,284,398</u>	<u>\$ 8,004,872</u>	<u>\$ 3,836,587</u>	<u>\$ 1,423,876</u>	<u>(15,191,850)</u>	<u>(827,213)</u>	<u>(31,210,913)</u>
General Revenues:							
Taxes:							
Property taxes					9,168,673	—	9,168,673
Franchise and utility taxes					53,992	—	53,992
Local Option Sales					236,681	—	236,881
Sales tax and other shared revenues					4,642,179	—	4,642,179
Investment earnings					99,286	—	99,286
OPEB adjustment					4,273,187	—	4,273,187
Miscellaneous					798,833	2,497	801,330
Transfers					<u>(1,785,145)</u>	<u>1,785,145</u>	<u>—</u>
Total General Revenues					<u>17,487,686</u>	<u>1,787,642</u>	<u>19,275,328</u>
Changes in Net Assets					2,295,836	960,429	3,256,265
Net Assets – Beginning of Year					<u>98,685,532</u>	<u>2,108,282</u>	<u>100,793,814</u>
Net Assets – End of Year					<u>\$100,981,368</u>	<u>\$ 3,068,711</u>	<u>\$ 104,050,079</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
BALANCE SHEET
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>General</u>	<u>Economic Development CDBG</u>	<u>State Housing Initiatives Partnership</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash & cash equivalent	\$ 10,521,235	\$ 12,753	\$ 31,269	\$ 4,176,323	\$ 14,741,580
Equity in pooled cash	448,028	267,049	83,279	1,633,847	2,432,203
Due from other funds	946,772	—	—	107,163	1,053,935
Due from other governmental units	807,206	327,900	—	858,159	1,993,265
Accounts receivable, net	210,796	—	—	55,299	266,095
Notes receivable	—	—	421,210	—	421,210
Prepaid expenses	<u>172,455</u>	<u>—</u>	<u>—</u>	<u>11,401</u>	<u>183,856</u>
Total Assets	<u>\$ 13,106,492</u>	<u>\$ 607,702</u>	<u>\$ 535,758</u>	<u>\$ 6,842,192</u>	<u>\$ 21,092,144</u>
Liabilities & Fund Balances					
Liabilities					
Customer deposits	\$ —	\$ —	\$ —	\$ 6,500	\$ 6,500
Vouchers payable	194,412	—	—	296,966	491,378
Due to other governmental units	20,544	—	—	110,595	131,139
Due to other funds	574,031	—	—	703,901	1,277,932
Deferred revenue	<u>135,256</u>	<u>327,900</u>	<u>505,058</u>	<u>44,837</u>	<u>1,013,051</u>
Total Liabilities	<u>924,243</u>	<u>327,900</u>	<u>505,058</u>	<u>1,162,799</u>	<u>2,920,000</u>
Fund Balances					
Nonspendable	172,455	—	—	11,401	183,856
Restricted	494,754	—	30,700	4,840,743	5,366,197
Assigned	3,022,801	279,802	—	827,249	4,129,852
Unassigned	<u>8,492,239</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>8,492,239</u>
Total fund Balances	<u>12,182,249</u>	<u>279,802</u>	<u>30,700</u>	<u>5,679,393</u>	18,172,144
Total Liabilities & Fund Balances	<u>\$ 13,106,492</u>	<u>\$ 607,702</u>	<u>\$ 535,758</u>	<u>\$ 6,842,192</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds	94,275,152
Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the fund.	(11,793,828)
Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds.	<u>327,900</u>
Net assets of governmental activities	<u>\$100,981,368</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>General</u>	<u>Economic Development CDBG</u>	<u>State Housing Initiatives Partnership</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 9,220,048	\$ —	\$ —	\$ 2,737,690	\$ 11,957,738
Licenses and permits	104,634	—	—	377,524	482,158
Intergovernmental	3,876,299	—	299,605	2,974,664	7,150,568
Fines and forfeitures	8,498	—	—	—	8,498
Charges for services	558,700	—	—	679,687	1,238,387
Investment earnings and other	<u>243,420</u>	<u>852</u>	<u>16,081</u>	<u>717,722</u>	<u>978,075</u>
Total Revenues	<u>14,011,599</u>	<u>852</u>	<u>315,686</u>	<u>7,487,287</u>	<u>21,815,424</u>
Expenditures					
Current					
General government	3,863,441	—	—	18,361	3,881,802
Public safety	5,004,447	—	—	515,636	5,520,083
Physical environment	1,386,462	—	—	369,017	1,755,479
Transportation	18,259	—	—	2,064,839	2,083,098
Economic environment	72,913	—	364,405	1,500,451	1,937,769
Human services	626,349	—	—	161,230	787,579
Culture and recreation	773,864	—	—	396,712	1,170,576
Court related	823,739	—	—	582,194	1,405,933
Capital outlay	1,245,074	—	—	406,318	1,651,392
Debt service	<u>—</u>	<u>—</u>	<u>—</u>	<u>125,716</u>	<u>125,716</u>
Total Expenditures	<u>13,814,548</u>	<u>—</u>	<u>364,405</u>	<u>6,140,474</u>	<u>20,319,427</u>
Excess (deficit) of revenues over (under) expenditures	<u>197,051</u>	<u>852</u>	<u>(48,719)</u>	<u>1,346,813</u>	<u>1,495,997</u>
Other financing sources (uses)					
Transfers in	134,000	—	—	203,632	337,632
Transfers out	<u>(798,317)</u>	<u>—</u>	<u>—</u>	<u>(1,324,460)</u>	<u>(2,122,777)</u>
Total other financing sources (uses)	<u>(664,317)</u>	<u>—</u>	<u>—</u>	<u>(1,120,828)</u>	<u>(1,785,145)</u>
Net change in fund balances	(467,266)	852	(48,719)	225,985	(289,148)
Fund balances-beginning	<u>12,649,515</u>	<u>278,950</u>	<u>79,419</u>	<u>5,453,408</u>	<u>18,461,292</u>
Fund balances-ending	<u>\$12,182,249</u>	<u>\$ 279,802</u>	<u>\$ 30,700</u>	<u>\$ 5,679,393</u>	<u>\$ 18,172,144</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

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

Net change in fund balances – total governmental funds (page 16)	\$ (289,148)
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of activities.	1,651,392
Depreciation expense on governmental capital assets included in the governmental activities in the statement of activities.	(3,869,674)
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.	86,928
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>4,716,338</u>
Change in net assets of governmental activities	<u>\$ 2,295,836</u>

See accompanying notes to the basic financial statements

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET (GAAP BASIS) AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budget Original</u>	<u>Budget Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Taxes	\$ 9,513,144	\$ 9,513,144	\$ 9,220,048	\$ (293,096)
Licenses and permits	109,000	109,000	104,634	(4,366)
Intergovernmental	2,880,956	3,126,160	3,876,299	750,139
Fines and forfeitures	10,000	10,000	8,498	(1,502)
Charges for services	656,665	656,665	558,700	(97,965)
Miscellaneous revenues	<u>164,534</u>	<u>161,608</u>	<u>243,420</u>	<u>81,812</u>
Total Revenues	<u>13,334,299</u>	<u>13,576,577</u>	<u>14,011,599</u>	<u>435,022</u>
EXPENDITURES				
Current				
General government	3,987,939	4,307,086	3,863,441	443,645
Public safety	5,173,338	5,277,879	5,004,447	273,432
Physical environment	1,577,610	1,588,106	1,386,462	201,644
Transportation	35,000	35,000	18,259	16,741
Economic environment	71,955	531,821	72,913	458,908
Human services	718,573	600,188	626,349	(26,161)
Culture and recreation	1,216,623	2,919,566	773,864	2,145,702
Court related	1,291,543	1,291,543	823,739	467,804
Capital outlay	2,859,947	1,682,427	1,245,074	437,353
Reserve for contingencies	<u>1,681,300</u>	<u>1,494,471</u>	<u>—</u>	<u>1,494,471</u>
Total Expenditures	<u>18,613,828</u>	<u>19,728,087</u>	<u>13,814,548</u>	<u>5,913,539</u>
Excess (deficit) of revenues over (under) expenditures	(5,279,529)	(6,151,510)	197,051	6,348,561
Other financing sources (uses)				
Transfers in	125,000	125,000	134,000	9,000
Transfers out	<u>(694,346)</u>	<u>(1,111,149)</u>	<u>(798,317)</u>	<u>312,832</u>
Total other financing sources (uses)	<u>(569,346)</u>	<u>(986,149)</u>	<u>(664,317)</u>	<u>321,832</u>
Net change in Fund Balance	(5,848,875)	(7,137,659)	(467,266)	6,670,393
Fund balance - beginning	<u>12,649,515</u>	<u>12,649,515</u>	<u>12,649,515</u>	<u>—</u>
Fund balance - ending	<u>\$ 6,800,640</u>	<u>\$ 5,511,856</u>	<u>\$ 12,182,249</u>	<u>\$ 6,670,393</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL
ECONOMIC DEVELOPMENT - CDBG
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budget Original</u>	<u>Budget Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Miscellaneous revenues	\$ 923	\$ 923	\$ 852	\$ (71)
Total Revenues	<u>923</u>	<u>923</u>	<u>852</u>	<u>(71)</u>
EXPENDITURES				
Current				
Transportation	—	—	—	—
Capital outlay	—	—	—	—
Total Expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficit) of revenues over (under) expenditures	923	923	852	(71)
Other financing sources (uses)				
Transfers out	—	—	—	—
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net changes in fund balance	923	923	852	(71)
Fund balance – beginning of year	<u>278,950</u>	<u>278,950</u>	<u>278,950</u>	—
Fund balance – End of year	<u>\$ 279,873</u>	<u>\$ 279,873</u>	<u>\$ 279,802</u>	<u>\$ (71)</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL
STATE HOUSING INITIATIVE PARTNERSHIP FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budget Original</u>	<u>Budget Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Intergovernmental	\$ 445,538	\$ 445,538	\$ 299,605	\$ (145,933)
Miscellaneous revenues	<u>45,400</u>	<u>45,400</u>	<u>16,081</u>	<u>(29,319)</u>
Total Revenues	<u>490,938</u>	<u>490,938</u>	<u>315,686</u>	<u>(175,252)</u>
EXPENDITURES				
Current				
Economic environment	<u>550,668</u>	<u>550,668</u>	<u>364,405</u>	<u>186,263</u>
Total Expenditures	<u>550,668</u>	<u>550,668</u>	<u>364,405</u>	<u>186,263</u>
Excess (deficit) of revenues over (under) expenditures	(59,730)	(59,730)	(48,719)	11,011
Fund balance – beginning of year	<u>79,419</u>	<u>79,419</u>	<u>79,419</u>	<u>—</u>
Fund balance – End of year	<u>\$ 19,689</u>	<u>\$ 19,689</u>	<u>\$ 30,700</u>	<u>\$ 11,011</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

<u>Business-type Activities – Enterprise Fund</u>	
	<u>Hospital</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 583,693
Accounts receivable, net	1,216,953
Due from other funds	223,997
Prepaid expenses	<u>82,511</u>
Total current assets	<u>2,107,154</u>
Noncurrent assets	
Capital Assets	
Land	13,400
Buildings	1,594,815
Machinery and equipment	1,567,448
Construction in progress	334,494
Less allowance for depreciation	<u>(1,046,663)</u>
Capital assets (net of accumulated depreciation)	<u>2,463,494</u>
Other assets	
Deposits	<u>25,000</u>
Total noncurrent assets	<u>2,488,494</u>
Total assets	<u>4,595,648</u>
Liabilities	
Current liabilities	
Accounts payable	237,874
Accrued liabilities	655,628
Deferred revenue	213,863
Accrued compensated absences - current	19,284
Leases payable – current	32,531
Notes payable - current	<u>85,714</u>
Total current liabilities	<u>1,244,894</u>
Noncurrent liabilities	
Accrued compensated absences	78,975
Leases payable	42,323
Notes payable	<u>160,715</u>
Total noncurrent liabilities	<u>282,043</u>
Total Liabilities	<u>1,526,937</u>
Net assets	
Invested in capital assets, net of related debt	2,388,610
Unrestricted	<u>680,101</u>
Total net assets	<u>\$ 3,068,711</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012**

<u>Business-type Activities – Enterprise Fund</u>	
	<u>Hospital</u>
Operating revenues	
Charges for services	\$ 5,521,161
Other	<u>687,044</u>
Total revenues	<u>6,208,205</u>
Operating expenses	
Employee leasing	3,606,028
Advertising	36,678
Clinical supplies	687,053
Other contract services	605,344
Depreciation	286,581
Insurance	474,404
License and permits	22,797
Minor equipment	34,318
Other current charges	364,110
Other patient care related costs	162,619
Professional services	932,746
Repairs and maintenance	35,197
Supplies	83,699
Training and development	6,960
Travel	19,820
Utilities	<u>191,601</u>
Total operating expenses	<u>7,549,955</u>
Operating income (loss)	<u>(1,341,750)</u>
Nonoperating revenues (expenses)	
Interest income	2,497
Operating contributions	516,842
Capital grants	17,716
Interest expense	<u>(20,021)</u>
Total nonoperating revenues (expenses)	<u>517,034</u>
Income (loss) before transfers	(824,716)
Transfers in	<u>1,785,145</u>
Change in net assets	960,429
Net assets – beginning	<u>2,108,282</u>
Net assets – ending	<u>\$ 3,068,711</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012**

<u>Business-type Activities – Enterprise Fund</u>	
	<u>Hospital</u>
Cash flows from operating activities	
Receipts from customers and others	\$ 6,234,932
Payments to suppliers	(3,846,311)
Payments to employees	<u>(3,764,539)</u>
Net cash used in operating activities	<u>(1,375,918)</u>
Cash flows from noncapital financing activities	
Grants received	17,716
Contributions	467,997
Transfers from other funds	<u>1,458,817</u>
Net cash provided by noncapital Financing activities	<u>1,944,530</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	(323,179)
Repayment of principal on long-term debt	(156,261)
Interest paid on long-term debt	<u>(24,234)</u>
Net cash used in capital and related financing activities	<u>(503,674)</u>
Cash flows from investing activities	
Interest received	<u>2,497</u>
Net cash provided by investing activities	<u>2,497</u>
Increase in cash and cash equivalents	<u>67,435</u>
Cash and cash equivalents – beginning	<u>516,258</u>
Cash and cash equivalents – ending	<u>\$ 583,693</u>

See accompanying notes to the basic financial statements

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

FOR THE YEAR ENDED SEPTEMBER 30, 2012

<u>Business-type Activities – Enterprise Fund</u>	
	<u>Hospital</u>
Reconciliation of operating income (loss) to net cash provided by operating activities	
Operating income (loss)	\$(1,341,750)
Adjustments to reconcile	
Operating activities	
Depreciation	286,581
(Increase) decrease in assets	
Accounts receivables, net	26,727
Due from other funds	121,860
Due from other governments	1,933
Prepaid expenses	(2,962)
Deposits	250,013
(Increase (decrease) in liabilities	
Accounts payable	(68,028)
Accrued liabilities	(706,800)
Deferred revenue	81,586
Compensated absences	<u>(25,078)</u>
Net cash used in operating activities	<u>\$(1,375,918)</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS**

FOR THE YEAR ENDED SEPTEMBER 30, 2012

<u>Agency Funds</u>	
Assets	
Cash and cash equivalents	\$ 448,386
Total Assets	<u>\$ 448,386</u>
Liabilities	
Due to individuals	\$ 327,167
Due to other funds	41,289
Due to other governments	<u>79,930</u>
Total Liabilities	<u>\$ 448,386</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Component Units

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

The County was established by the Constitution of the State of Florida, Article VIII, and Section 16

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

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

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Funds

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

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

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

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

Proprietary Funds

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

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

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

Governmental Major Funds

- General – The general fund is the County’s primary operating fund. It is used to account for all resources traditionally associated with governments except those required to be accounted for in other funds.
- Economic Development CDBG – This fund is used to account for the Community Development Block Grant earmarked for economic development.
- State housing initiatives partnership – This fund is used to account for the activity in the County’s state housing initiatives partnership program (SHIP).

Proprietary Major Funds

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

Other Fund Types

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

Noncurrent Governmental Assets/Liabilities

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

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Investments

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

External Investment Pools

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

Derivatives and Similar Debt and Investment Items

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

Cash and Cash Equivalents

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

Restricted Assets

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

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable

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

Due from (to) Other Funds

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

Capital Assets

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

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

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

The Sheriff is accountable for and maintains capital asset records pertaining only to equipment used in his operations. These assets have been combined with the Board's governmental activities capital assets in the statement of net 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 which are measurable but not available, and in accordance with the modified accrual basis of accounting, are reported as deferred revenues.

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

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

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

Fund Balances

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

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

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

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

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

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

Property Taxes

Under Florida law, the assessment of all properties and the collection of all County, Municipal and School Board property taxes are consolidated in the offices of the Property Appraiser and Tax Collector. The laws of the State regulating tax assessment are also designed to assure a consistent property valuation method statewide. Florida Statutes permit counties to levy property taxes at a rate of up to 10 mills for general operations. The millage rate assessed by the County for the year ended September 30, 2012 was 4.98 mills.

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

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

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Use of Estimates

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

Encumbrances

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

Landfill Closure Costs

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

Subsequent Events

The County 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 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:

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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

Capital leases payable	\$ 921,784
Compensated absences	468,772
Net OPEB obligation	8,563,813
Landfill closing costs	<u>1,839,459</u>
Net adjustment to reduce fund balances – total governmental funds to arrive at net assets of governmental activities	<u>\$ 11,793,828</u>

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

Cost of capital assets	\$ 146,446,636
Less: accumulated depreciation	<u>(52,171,484)</u>
Net adjustment to increase fund balances – total governmental funds to arrive at net assets of governmental activities	<u>\$ 94,275,152</u>

Another element of that reconciliation states, “Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds.” The details of this difference are as follows:

Deferred revenues	<u>\$ 327,900</u>
Net adjustment to increase fund balances – total governmental funds to arrive at net assets of governmental activities	<u>\$ 327,900</u>

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

Compensated absences	\$ 123,292
Change in deferred revenue	321,983
Change in OPEB liability	4,273,187
Landfill costs	<u>(2,124)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	<u>\$ 4,716,338</u>

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 3 –CASH AND INVESTMENTS

Deposits Policies

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

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

Investment Policies

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

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

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

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

Direct obligations of the United States Treasury.

Federal agencies and instrumentalities.

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

The County had no investments at September 30, 2012.

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, 2012, the County did not hold any investments other than those disclosed below that were considered to be an interest rate risk.

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 3 –CASH AND INVESTMENTS (continued)

Custodial Risks

At September 30, 2012, the County held deposits or investments that were considered to be a custodial risk. See below.

Concentration of Credit Risk

At September 30, 2012, the County did not hold any investments that were considered to be a concentration of credit risk.

At September 30, 2012, 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)	\$15,325,279	\$ —	\$ —	\$15,325,279
Local Government Surplus Trust Fund Pool		<u>2,432,203</u>	<u>—</u>	<u>—</u>	<u>2,432,203</u>
Total		<u>\$17,757,482</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$17,757,482</u>

(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 (\$2,126,514) is considered a SEC 2a7-like fund and the account balance is the fair value of the investment.

The Fund B portion (\$305,689) 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, 2012 was 35 days. The weighted average life of Fund B at September 30, 2012 was 3.85 years. However because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life.

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 4 –ACCOUNTS RECEIVABLE AND NOTES RECEIVABLE

Accounts receivables at September 30, 2012, consisted of the following:

Governmental Activities - Accounts/Notes Receivable	General	State Housing Initiative Partnership	Other Governmental Funds	Total
Accounts receivable	\$ 210,796	\$ —	\$ 55,299	\$ 266,095
Notes receivable	—	421,210	327,900	749,110
(Allowance for doubtful accounts)	—	—	(327,900)	(327,900)
Accounts receivable, net	<u>\$ 210,796</u>	<u>\$ 421,210</u>	<u>\$ 55,299</u>	<u>\$ 687,305</u>
Business-type Activities - Accounts Receivable	<u>Hospital</u>			
Accounts receivable	\$ 3,864,121			
(Allowance for doubtful accounts)	(2,647,168)			
Accounts receivable, net	<u>\$ 1,216,953</u>			

NOTE 5 –INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS

All interfund balance are due to timing differences and are expected to be repaid during the fiscal year ending September 30, 2012.

Internal balances at September 30, 2012, consist of the following:

Fund	Interfund Receivables	Interfund Payables
General	\$ 946,772	\$ 574,031
Special revenue		
Local option gas tax	—	7,500
County road and bridge	31,579	75,183
Fire protection	—	48,476
911 Trust	2,338	32,384
Landfill	392	150,000
Mosquito control	3,375	4,281
Law enforcement educational trust	210	—
Hospital trust	—	223,997
Boating improvement	793	—
Airport	1,649	156,562
Clerk’s fine and forfeitures	18,036	1,753
Clerk’s modernization trust	17,334	565
Tourist development	31,457	3,200
Total special revenue	<u>107,163</u>	<u>703,901</u>
Enterprise - Hospital	223,997	—
Total	<u>\$ 1,227,932</u>	<u>\$ 1,277,932</u>

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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

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

<u>Fund Transferred From</u>	<u>Fund Transferred to</u>	<u>Amount</u>	<u>Purpose</u>
General	Nonmajor governmental funds	\$ 203,632	Purchase of equipment, operation of public library, and other allowable expenditures.
Nonmajor governmental funds	General	134,000	To record the budgeted transfers from the landfill fund and tourist development
Hospital trust	Hospital	1,159,553	Transfer of ½ cent sales tax
General	Hospital	625,592	Transfer of operating cash
Total		<u>\$ 2,122,777</u>	

NOTE 6 –CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended September 30, 2012, is as follows:

	<u>September 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2012</u>
Capital assets not being depreciated:				
Land	\$ 3,596,364	\$ 299,699	\$ —	\$ 3,896,063
Construction in progress	781,088	—	(568,612)	212,476
Total capital assets, not being depreciated	<u>4,377,452</u>	<u>299,699</u>	<u>(568,612)</u>	<u>4,108,539</u>
Capital assets being depreciated:				
Buildings	11,931,402	607,084	—	12,538,486
Improvements other than buildings	10,337,893	587,897	—	10,925,790
Machinery and equipment	13,630,260	205,330	(43,796)	13,791,794
Infrastructure	104,562,033	519,994	—	105,082,027
Total capital assets being depreciated	<u>140,461,588</u>	<u>1,920,305</u>	<u>(43,796)</u>	<u>142,338,097</u>
Accumulated depreciation:				
Buildings	4,114,524	242,123	—	4,356,647
Improvements other than buildings	2,423,730	278,893	—	2,702,623
Machinery and equipment	11,146,787	822,095	(43,796)	11,925,086
Infrastructure	30,660,565	2,526,563	—	33,187,128
Total accumulated depreciation	<u>48,345,606</u>	<u>3,869,674</u>	<u>(43,796)</u>	<u>52,171,484</u>
Total capital assets being depreciated, net	<u>92,115,982</u>	<u>(1,949,369)</u>	<u>—</u>	<u>90,166,613</u>
Total governmental-type activities', capital assets, (net of accumulated depreciation)	<u>\$ 96,493,434</u>	<u>\$ (1,649,670)</u>	<u>\$ (568,612)</u>	<u>\$ 94,275,152</u>

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 6 –CAPITAL ASSETS (continued)

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

General Government	\$ 195,104
Court related	37,489
Public safety	427,932
Physical environment	158,399
Transportation	2,773,973
Economic environment	2,630
Human services	77,411
Culture and recreation	<u>196,736</u>

Total depreciation expense – governmental activities **\$ 3,869,674**

Capital asset activity for the business-type activities for the year ended September 30, 2012, is as follows:

	<u>September 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2012</u>
Capital assets not being depreciated:				
Land	\$ 13,400	\$ —	\$ —	\$ 13,400
Construction in progress	<u>380,395</u>	<u>14,404</u>	<u>(60,305)</u>	<u>334,494</u>
Total capital assets, not being depreciated	<u>393,795</u>	<u>14,404</u>	<u>(60,305)</u>	<u>347,894</u>
Capital assets being depreciated:				
Buildings	1,534,510	60,305	—	1,594,815
Machinery and equipment	<u>1,302,812</u>	<u>312,988</u>	<u>(48,352)</u>	<u>1,567,448</u>
Total capital assets being depreciated	<u>2,837,322</u>	<u>373,293</u>	<u>(48,352)</u>	<u>3,162,263</u>
Less accumulated depreciation:				
Buildings	389,449	38,362	—	427,811
Machinery and equipment	<u>418,985</u>	<u>248,219</u>	<u>(48,352)</u>	<u>618,852</u>
Total accumulated depreciation	<u>808,434</u>	<u>286,581</u>	<u>(48,352)</u>	<u>1,046,663</u>
Total capital assets being depreciated, net	<u>2,028,888</u>	<u>86,712</u>	<u>—</u>	<u>2,115,600</u>
Total business-type activities', capital assets, (net of accumulated depreciation)	<u>\$ 2,422,683</u>	<u>\$ 101,116</u>	<u>\$ (60,305)</u>	<u>\$ 2,463,494</u>

Depreciation expense charged to business-type activities for the year ended September 30, 2012 is \$286,581.

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 7 –LONG-TERM DEBT

Long-term debt of the County’s governmental activities for the year ended September 30, 2012, is as follows:

<u>Notes Payable</u>	<u>Balance September 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2012</u>	<u>Due Within One Year</u>
Loan to purchase Lombardi property, payable in monthly payments of \$6,333 including interest at 3.89% maturing April 2028	923,811	—	40,185	883,626	41,881
Lease purchase of equipment, payable in annual payments of \$30,304 including interest at 3.5% maturing in October 2013	84,901	—	46,743	38,158	28,299
Long-term landfill closure and postclosure liability, see note 12	1,837,335	2,124	—	1,839,459	—
Liability for postemployment benefits	12,837,000	—	4,273,187	8,563,813	—
Liability for compensated absences	<u>592,064</u>	<u>—</u>	<u>123,292</u>	<u>468,772</u>	<u>117,193</u>
Total	<u>\$16,275,111</u>	<u>\$ 2,124</u>	<u>\$ 4,483,407</u>	<u>\$11,793,828</u>	<u>\$ 187,373</u>

Maturities of Long-Term Debt

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

<u>Amount due during Year ending September 30,</u>	<u>Note Payable/ Lombardi Property</u>			<u>Caterpillar</u>		
	<u>Principle</u>	<u>Interest</u>	<u>Total</u>	<u>Interest</u>	<u>Principle</u>	<u>Total</u>
2013	\$ 41,881	\$ 34,119	\$ 76,000	\$ 28,299	\$ 2,005	\$ 30,304
2014	43,564	32,436	76,000	9,859	1,024	10,883
2015	45,315	30,685	76,000	—	—	—
2016	47,136	28,864	76,000	—	—	—
2017	49,052	26,948	76,000	—	—	—
2018-2022	278,501	101,499	380,000	—	—	—
2023-2027	338,189	41,811	380,000	—	—	—
2028	<u>39,988</u>	<u>428</u>	<u>40,416</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 883,626</u>	<u>\$ 296,790</u>	<u>\$ 1,180,416</u>	<u>\$ 38,158</u>	<u>\$ 3,029</u>	<u>\$ 41,187</u>

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 7 –LONG-TERM DEBT

Long-term debt of the County’s business-type activities for the year ended September 30, 2012, is as follows:

<u>Notes Payable</u>	<u>Balance September 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2012</u>	<u>Due Within One Year</u>
Office of Tourism, Trade, and Economic Development – Loan #1 payable in quarterly payments of \$10,714 plus interest at 3%. Matures In August 2015	182,143	—	(64,286)	117,857	42,857
Office of Tourism, Trade, and Economic Development – Loan #2 payable in quarterly payments of \$10,714 plus interest at 3%. Matures In May 2015.	192,857	—	(64,285)	128,572	42,857
Popular Leasing – medical night cabinet lease payable in monthly payments of \$254 including interest at 10.8%. Matures in August 2012	2,823	—	(2,823)	—	—
Olympus – Colonoscope lease Payable in monthly payments of \$2,067 including interest at 14%. Matures in August 2014	60,462	—	(17,416)	43,046	20,258
Wells Fargo – Endoscope Lease payable in monthly payments of \$762 including interest at 4%.	8,206	—	(8,206)	—	—
Ricoh – copier lease payable in monthly payments of \$1,334 including interest at 5%. Matures in October 2014	31,083	—	(9,562)	21,521	10,051
Dell Computer Leasing- payable \$271 monthly including interest at 9.5%. Matures March 2017	—	12,915	(2,598)	10,317	2,222
Liability for compensated absences	123,337	—	(25,078)	98,259	19,284
Total	<u>\$ 600,911</u>	<u>\$ 12,915</u>	<u>\$ (194,254)</u>	<u>\$ 419,572</u>	<u>\$ 137,529</u>

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 7 –LONG-TERM DEBT (continued)

Maturities of Long-Term Debt

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

Amount due during

Year ending September 30,	OTTED Loan #			OTTED Loan #2		
	Principle	Interest	Total	Interest	Principle	Total
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	\$ 117,857	\$ 5,334	\$ 123,191	\$ 128,572	\$ 6,298	\$ 134,870

Amount due during

Year ending September 30,	Computers		
	Principle	Interest	Total
2013	\$ 2,222	\$ 1,032	\$ 3,254
2014	2,441	813	3,254
2015	2,683	571	3,254
2016	2,950	304	3,254
2017	21	2	23
Total	\$ 10,317	\$ 2,722	\$ 13,039

Amount due during

Year ending September 30,	Copier			Colonoscope		
	Principle	Interest	Total	Principle	Interest	Total
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	\$ 21,521	\$ 1,185	\$ 22,706	\$ 43,046	\$ 6,097	\$ 49,143

The carrying value of equipment under capital leases net of accumulated depreciation at September 30, 2012 is \$56,022.

NOTE 8 – EMPLOYEE BENEFITS

RETIREMENT PLAN

Plan Description

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

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 8 – EMPLOYEE BENEFITS (continued)

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

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

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

Funding Policy

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

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

	<u>10/1/2011 through 06/30/2012</u>	<u>07/1/2012 through 09/30/2012</u>
Regular employees	4.91%	5.18%
Senior Management	6.27%	6.30%
Elected County Officials	11.14%	10.23%
DROP Plan Participants	4.42%	5.44%

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 8 – EMPLOYEE BENEFITS (continued)

Contribution rates equal actuarial determined rates. During the year ended September 30, 2012, total payroll for all employees and the retirement contributions for all employees covered by FRS were as follows:

	<u>Payroll Expense</u>	<u>Retirement Contributions</u>
Board of County Commissioners	\$ 1,996,812	\$ 111,930
Clerk of the Circuit Court	699,130	36,056
Sheriff	2,682,914	342,793
Property Appraiser	347,082	22,355
Tax Collector	294,623	21,988
Supervisor of Elections	<u>146,300</u>	<u>12,307</u>
Total	<u>\$ 6,166,861</u>	<u>\$ 547,429</u>

The County’s contributions to the Plan for the years ended September 30, 2012, 2011 and 2010 were \$547,429, \$893,161 and \$992,635 respectively, which equal the required contributions. For the year ended September 30, 2012, retirement contributions represent 8.9% 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.

Eligibility

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

Funding Policy

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

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The contribution rate effective for other eligible County plan members during the year for the implied subsidy is \$286 per month each for each retiree. Dependent coverage is available; however, dependent coverage is not subsidized. The explicit subsidy contribution rate is 50% of the actual premium, \$286 per month during the current year. This valuation includes both the implied and explicit subsidies.

The County has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. Rather, the funding is based on a pay-as-you-go basis. During the fiscal year, the County provided contributions of \$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 charges in the County’s net OPEB obligation;

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

Estimated Net OPEB obligation for the fiscal year ending September 30, 2011 was calculated by the County’s previous actuary and disclosed in the County’s Annual Financial Statement.

A one-time item has been included in the Adjustment to the ARC for the fiscal period ending September 30, 2012. The item in the amount of (\$4,844,509) has been included in order to keep the Net OPEB obligation no greater than the Unfunded Actuarial Liability as of the end of the period.

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2011 was as follows:

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

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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

Funding Status and Funding Progress

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

Actuarial Methods and Assumptions

The County had an actuarial valuation completed for the fiscal year ended September 30, 2011. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare costs trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, in effect at the valuation date and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

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

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

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

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

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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

The actuarial assumptions include a 4% discount rate for valuing liabilities, a 2.75% annual inflation rate. The remaining open amortization period at September 30, 2011 is 15 years.

NOTE 10 – FUND BALANCE

Fund balance consisted of the following amounts as of September 30, 2012:

<u>Fund Balances</u>	<u>Amount</u>
Nonspendable:	
General fund – prepaid expenses	\$ 172,455
911 trust fund	8,598
County road and bridge	357
Mosquito control	42
Tourist development – prepaid expenses	<u>2,404</u>
Total Nonspendable Fund Balance	<u>183,856</u>
Restricted:	
911 trust fund	356,121
Airport	38,646
Bald point trust	399,907
Boating improvement fund	65,015
Clerk’s modernization trust	149,516
Economic development fund	279,802
Hospital trust	939,038
Landfill	840,461
Law enforcement education trust	76,756
Law enforcement trust	3,156
Pier	1,290,865
State housing initiatives partnership	30,700
Tourist development fund	<u>896,214</u>
Total Restricted Fund Balance	<u>5,366,197</u>
Assigned:	
Capital projects	335,273
County road and bridge fund	511,979
Fines and forfeitures	2,621,738
Landfill	30,246
Library	51,790
Mosquito control fund	46,527
Pier	403,077
Sheriff’s special revenue funds	<u>129,222</u>
Total Assigned Fund Balance	<u>4,129,852</u>
Total Unassigned Fund Balance	<u>8,492,239</u>
Total fund Balance	<u>\$ 18,172,144</u>

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 11 – RISK MANAGEMENT

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

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

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

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

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

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

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

NOTE 12 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The County maintains a special revenue fund for its landfill management escrow account to ensure the availability of financial resources for closing the landfill. The escrow account balance is \$702,594 at September 30, 2012. Receipt of waste at the County's Class I central landfill has been indefinitely suspended and the County contracts for waste to be transported out of the Count. In the event operations were to resume at the Class I landfill, there are about two years remaining capacity. Currently, the County also operates a Class III landfill.

State and federal laws and regulations require the County to place a final cover on its landfill sites when it stops accepting waste, and to perform certain maintenance and monitoring functions at the site for approximately thirty years after closure. The \$1,837,335 amount reported as landfills closure and postclosure care liability at September 30, 2012 (see note 7), represents the portion of costs to be incurred and reported as a liability to-date based on the use of 56% of the Class I landfill estimated capacity and 100% of the Class III (original) and 37% of the Class III (expansion) landfill estimated capacity. total estimated costs are projected at \$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*.

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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 twenty year lease with the fixed base operator (FBO) expired on April 30, 2013. Pursuant to the lease, Franklin County was paid \$1500 per month for hangar rental and parking space, five cents per gallon on all aviation fuel sold and 5% of the net monthly rental for the utilized T-hangars. Franklin County had advertised for a replacement FBO and failed to secure a commitment prior to the expiration of the long term lease. The County assumed daily operations of the Airport on May 1, 2012, the County will operate the Airport on a temporary basis until a new FBO lease agreement can be negotiated.

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, 2012

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

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

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

Fiscal Year Ended <u>September 30,</u>	Actual Contribution <u>(a)</u>	Annual Required Contribution <u>(b)</u>	Percentage Contributed <u>(a/b)</u>
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**

	<u>Special Revenue</u>				
	<u>County Road and Bridge</u>	<u>911 Trust</u>	<u>Landfill</u>	<u>Fire Protection</u>	<u>Airport</u>
Assets					
Cash and cash equivalents	\$ 80,104	\$ 437,452	\$ 319,439	\$ 115,192	\$ 96,452
Equity in pooled cash	272,882	2,238	702,410	—	—
Due from other funds	31,579	—	392	—	1,649
Due from other government units	221,887	9,990	—	—	126,866
Prepaid expenses	357	8,598	—	—	—
Notes receivable	—	—	—	—	—
Accounts receivable (net)	<u>4,481</u>	<u>—</u>	<u>31,530</u>	<u>5,643</u>	<u>11,889</u>
Total Assets	<u>\$ 611,290</u>	<u>\$ 458,378</u>	<u>\$ 1,053,771</u>	<u>\$ 120,835</u>	<u>\$ 236,856</u>
Liabilities and fund balances					
Liabilities					
Customer deposits	—	—	6,500	—	—
Vouchers payable	24,083	25,036	26,564	72,359	41,332
Due to other government units	45	—	—	—	316
Due to other funds	75,183	32,384	150,000	48,476	156,562
Deferred revenue	<u>—</u>	<u>44,837</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total liabilities	<u>99,311</u>	<u>102,257</u>	<u>183,064</u>	<u>120,835</u>	<u>198,210</u>
Fund balances					
Nonspendable	357	8,598	—	—	—
Restricted	—	347,523	709,607	—	38,646
Assigned	<u>511,622</u>	<u>—</u>	<u>161,100</u>	<u>—</u>	<u>—</u>
Total fund balances	<u>511,979</u>	<u>356,121</u>	<u>870,707</u>	<u>—</u>	<u>38,646</u>
Total liabilities and Fund balances	<u>\$ 611,290</u>	<u>\$ 458,378</u>	<u>\$ 1,053,771</u>	<u>\$ 120,835</u>	<u>\$ 236,856</u>

(Continued)

**FRANKLIN COUNTY, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Continued)
SEPTEMBER 30, 2011**

	<u>Special Revenue</u>				
	<u>Tourist Development</u>	<u>Mosquito Control</u>	<u>Clerk's Fine and Forfeitures</u>	<u>Clerk Modernization Trust</u>	<u>Sheriff's Special Revenue</u>
Assets					
Cash and cash equivalents	\$ 778,220	\$ 36,421	\$ 45,951	\$ 132,747	\$ 127,466
Equity in pooled cash	74,176	6,524	—	—	—
Due from other funds	31,457	3,375	18,036	17,334	—
Due from other government units	156,949	4,583	—	—	—
Prepaid expenses	2,404	42	—	—	—
Notes receivable	—	—	—	—	—
Accounts receivable (net)	—	—	—	—	1,756
Total Assets	<u>\$ 1,043,206</u>	<u>\$ 50,945</u>	<u>\$ 63,987</u>	<u>\$ 150,081</u>	<u>\$ 129,222</u>
Liabilities and fund balances					
Liabilities					
Customer deposits	—	—	—	—	—
Vouchers payable	76,157	137	19,635	—	—
Due to other government units	67,635	—	42,599	—	—
Due to other funds	3,200	4,281	1,753	565	—
Deferred revenue	—	—	—	—	—
Total liabilities	<u>146,992</u>	<u>4,418</u>	<u>63,987</u>	<u>565</u>	<u>—</u>
Fund balances					
Nonspendable	2,404	42	—	—	—
Restricted	893,810	—	—	149,516	21,180
Assigned	—	46,485	—	—	108,042
Total fund balances	<u>896,214</u>	<u>46,527</u>	<u>—</u>	<u>149,516</u>	<u>129,222</u>
Total liabilities and Fund balances	<u>\$ 1,043,206</u>	<u>\$ 50,945</u>	<u>\$ 63,987</u>	<u>\$ 150,081</u>	<u>\$ 129,222</u>

(Continued)

**FRANKLIN COUNTY, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Continued)
SEPTEMBER 30, 2011**

	<u>Special Revenue</u>					<u>Total Nonmajor Governmental Funds</u>
	<u>Hospital Trust</u>	<u>Boating Improvement</u>	<u>Law Enforcement Educational Trust</u>	<u>Law Enforcement Trust</u>	<u>Local Option Gas Tax</u>	
Assets						
Cash and cash equivalents	\$ 895,553	\$ 52,316	\$ 76,546	\$ 3,156	\$ 979,308	\$ 4,176,323
Equity in pooled cash	—	—	—	—	577,855	1,633,847
Due from other funds	—	793	210	—	—	107,163
Due from other government units	267,482	12,921	—	—	57,481	858,159
Prepaid expenses	—	—	—	—	—	11,401
Notes receivable	—	—	—	—	—	—
Accounts receivable (net)	—	—	—	—	—	55,299
Total Assets	<u>\$ 1,163,035</u>	<u>\$ 66,030</u>	<u>\$ 76,756</u>	<u>\$ 3,156</u>	<u>\$ 1,614,644</u>	<u>\$ 6,842,192</u>
Liabilities and fund balances						
Liabilities						
Customer deposits	—	—	—	—	—	6,500
Vouchers payable	—	1,015	—	—	10,648	296,966
Due to other government units	—	—	—	—	—	110,595
Due to other funds	223,997	—	—	—	7,500	703,901
Deferred revenue	—	—	—	—	—	44,837
Total liabilities	<u>223,997</u>	<u>1,015</u>	<u>—</u>	<u>—</u>	<u>18,148</u>	<u>1,162,799</u>
Fund balances						
Nonspendable	—	—	—	—	—	11,401
Restricted	939,038	65,015	76,756	3,156	1,596,496	4,840,743
Assigned	—	—	—	—	—	827,249
Total fund balances	<u>939,038</u>	<u>65,015</u>	<u>76,756</u>	<u>3,156</u>	<u>1,596,496</u>	<u>5,679,393</u>
Total liabilities and Fund balances	<u>\$ 1,163,035</u>	<u>\$ 66,030</u>	<u>\$ 76,756</u>	<u>\$ 3,156</u>	<u>\$ 1,614,644</u>	<u>\$ 6,842,192</u>

**FRANKLIN COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011**

	<u>Special Revenue</u>				
	<u>County Road and Bridge</u>	<u>911 Trust</u>	<u>Landfill</u>	<u>Fire Protection</u>	<u>Airport</u>
Revenues					
Taxes	\$ 11,929	\$ —	\$ —	\$ —	\$ —
Licenses and permits	—	—	—	377,524	—
Intergovernmental	1,249,103	396,102	—	—	654,445
Fines and forfeitures	—	—	—	—	—
Charges for services	—	—	449,923	—	170,384
Investment earnings and other	<u>15,609</u>	<u>1,787</u>	<u>3,048</u>	<u>8,248</u>	<u>70,414</u>
Total Revenues	<u>\$ 1,276,641</u>	<u>\$ 397,889</u>	<u>\$ 452,971</u>	<u>\$ 385,772</u>	<u>\$ 895,243</u>
Expenditures					
Current					
General government	—	—	—	—	—
Public safety	—	99,117	—	385,772	—
Physical environment	—	—	369,017	—	—
Economic environment	—	—	—	—	—
Transportation	1,278,073	—	—	—	743,476
Court related	—	—	—	—	—
Human services	—	—	—	—	—
Culture & recreation	—	—	—	—	—
Capital outlay	2,200	24,956	—	—	235,118
Debt service	<u>49,715</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>1,441,781</u>	<u>124,073</u>	<u>369,017</u>	<u>385,772</u>	<u>978,594</u>
Excess (deficit) of revenues over (under) expenditures	<u>(53,347)</u>	<u>273,816</u>	<u>83,954</u>	<u>—</u>	<u>(83,351)</u>
Other financing sources (uses)					
Transfers in	53,639	—	—	—	—
Transfers out	—	(30,907)	(75,000)	—	—
Proceeds from debt	—	—	—	—	—
Reversion to State of Florida	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing sources (uses)	<u>53,639</u>	<u>(30,907)</u>	<u>(75,000)</u>	<u>—</u>	<u>—</u>
Net change in fund balances	292	242,909	8,954	—	(83,351)
Fund balances - beginning	<u>511,687</u>	<u>113,212</u>	<u>861,753</u>	<u>—</u>	<u>121,997</u>
Fund balances - ending	<u>\$ 511,979</u>	<u>\$ 356,121</u>	<u>\$ 870,707</u>	<u>\$ —</u>	<u>\$ 38,646</u>

(Continued)

FRANKLIN COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Continued)
SEPTEMBER 30, 2011

	<u>Special Revenue</u>				
	<u>Tourist Development</u>	<u>Mosquito Control</u>	<u>Clerk's Fine and Forfeitures</u>	<u>Clerk Modernization Trust</u>	<u>Sheriff's Special Revenue</u>
Revenues					
Taxes	\$ 916,059	\$ —	\$ —	\$ —	\$ —
Licenses and permits	—	—	—	—	—
Intergovernmental	—	18,333	601,386	—	—
Fines and forfeitures	—	—	—	—	—
Charges for services	—	—	—	55,965	—
Investment earnings and other	<u>559,835</u>	<u>800</u>	<u>—</u>	<u>286</u>	<u>51,170</u>
Total Revenues	<u>\$ 1,475,894</u>	<u>\$ 19,133</u>	<u>\$ 601,386</u>	<u>\$ 56,251</u>	<u>\$ 51,170</u>
Expenditures					
Current					
General government	—	—	—	18,361	—
Public safety	—	—	—	—	30,747
Physical environment	—	—	—	—	—
Economic Environment	1,500,451	—	—	—	—
Transportation	—	—	—	—	—
Court related	—	—	576,041	6,153	—
Human services	—	161,230	—	—	—
Culture and recreation	396,712	—	—	—	—
Capital outlay	—	—	25,345	2,474	—
Debt service	<u>76,001</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>1,973,164</u>	<u>161,230</u>	<u>601,386</u>	<u>26,988</u>	<u>30,747</u>
Excess (deficit) of revenues over (under) expenditures	<u>(497,270)</u>	<u>(142,097)</u>	<u>601,386</u>	<u>29,263</u>	<u>20,423</u>
Other financing sources (uses)					
Transfers in	—	149,993	—	—	—
Transfers out	(59,000)	—	—	—	—
Proceeds from debt	—	—	—	—	—
Reversion to State of Florida	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing sources (uses)	<u>(59,000)</u>	<u>149,993</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balances	(556,270)	7,896	—	29,263	20,423
Fund balances - beginning	<u>1,452,484</u>	<u>38,631</u>	<u>—</u>	<u>120,253</u>	<u>108,799</u>
Fund balances - ending	<u>\$ 896,214</u>	<u>\$ 46,527</u>	<u>\$ —</u>	<u>\$ 149,516</u>	<u>\$ 129,222</u>

(Continued)

**FRANKLIN COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011**

	<u>Special Revenue</u>					Total Nonmajor Governmental Funds
	Hospital Trust	Boating Improvement	Law Enforcement Educational Trust	Law Enforcement Trust	Local Option Gas Tax	
Revenues						
Taxes	\$ 1,573,021	—	\$ —	\$ —	\$ 236,681	\$ 2,737,690
Licenses and permits	—	—	—	—	—	377,524
Intergovernmental	—	25,228	—	—	30,067	2,974,664
Fines and forfeitures	—	—	—	—	—	—
Charges for services	—	—	3,415	—	—	679,687
Investment earnings and other	1,616	357	210	5	4,337	717,722
Total Revenues	<u>\$ 1,574,637</u>	<u>\$ 25,585</u>	<u>\$ 3,625</u>	<u>\$ 5</u>	<u>\$ 271,085</u>	<u>\$ 7,487,287</u>
Expenditures						
Current						
General government	—	—	—	—	—	18,361
Public safety	—	—	—	—	—	515,636
Physical environment	—	—	—	—	—	369,017
Economic environment	—	—	—	—	—	1,500,451
Transportation	—	—	—	—	43,290	2,064,839
Court related	—	—	—	—	—	582,194
Human services	—	—	—	—	—	161,230
Culture & recreation	—	—	—	—	—	396,712
Capital outlay	—	—	—	—	96,940	406,318
Debt service	—	—	—	—	—	125,716
Total expenditures	<u>—</u>	<u>19,285</u>	<u>—</u>	<u>—</u>	<u>140,230</u>	<u>6,140,474</u>
Excess (deficit) of revenues over (under) expenditures	<u>1,574,637</u>	<u>6,300</u>	<u>3,625</u>	<u>5</u>	<u>130,855</u>	<u>1,346,813</u>
Other financing sources (uses)						
Transfers in	—	—	—	—	—	203,632
Transfers out	(1,159,553)	—	—	—	—	(1,324,460)
Proceeds from debt	—	—	—	—	—	—
Reversion to State of Florida	—	—	—	—	—	—
Total other financing sources (uses)	<u>(1,159,553)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,120,828)</u>
Net change in fund balances	415,084	6,300	3,625	5	130,855	225,985
Fund balances - beginning	<u>523,954</u>	<u>58,715</u>	<u>73,131</u>	<u>3,151</u>	<u>1,465,641</u>	<u>5,453,408</u>
Fund balances - ending	<u>\$ 939,038</u>	<u>\$ 65,015</u>	<u>\$ 7,6756</u>	<u>\$ 3,156</u>	<u>\$ 1,596,496</u>	<u>\$ 5,679,393</u>

**FRANKLIN COUNTY, FLORIDA
 COMBINING BALANCE SHEET
 AGENCY FUNDS
 SEPTEMBER 30, 2011**

	<u>Agency Funds Clerk</u>		
	<u>Trust Funds</u>	<u>Registry of Court</u>	<u>Child Support</u>
Assets			
Cash and cash equivalents	\$ 70,637	\$ 29,000	\$ 370
Total Assets	<u>\$ 70,637</u>	<u>\$ 29,000</u>	<u>\$ 370</u>
Liabilities			
Due to individuals	1,129	29,000	370
Due to other funds	36,470	—	—
Due to other governments	<u>33,038</u>	<u>—</u>	<u>—</u>
Total Liabilities	<u>\$ 70,637</u>	<u>\$ 29,000</u>	<u>\$ 370</u>

(continued)

**FRANKLIN COUNTY, FLORIDA
 COMBINING BALANCE SHEET
 AGENCY FUNDS (Continued)
 SEPTEMBER 30, 2011**

	<u>Agency Funds – Sheriff</u>		<u>Agency Funds – Tax Collector</u>		
	<u>Bonds</u>	<u>Inmate Trust</u>	<u>Tax</u>	<u>Tag Agency</u>	<u>Total</u>
Revenues					
Cash and cash equivalents	\$ 55,887	\$ 4,099	\$ 274,584	\$ 13,809	\$ 448,386
Total Assets	\$ 55,887	\$ 4,099	\$ 274,584	\$ 13,809	\$ 448,386
Liabilities					
Due to individuals	55,887	4,099	236,682	—	327,167
Due to other funds	—	—	4,819	—	41,289
Due to other governments	—	—	330,083	13,809	79,930
Total Liabilities	\$ 55,887	\$ 4,099	\$ 274,584	\$ 13,809	\$ 448,386

COMPLIANCE SECTION

Vance CPA, LLC

Certified Public Accountant

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INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

We have audited the financial statements of the Franklin County, Florida, as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated June 25, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditor's Report on Compliance with Requirements that could have a direct and material effect on each Major Federal Program and State Project and on Internal Control over Compliance, with OMB Circular A-133 and Chapter 10.550 Rules of the Auditor General and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated June 25, 2013 should be considered in conjunction with this management letter.

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

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

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

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

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

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

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

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

Pursuant to Sections 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, 2012, 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 31, 2012. 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 genearily accepted in the United states of America require us to indicate that this letter is intended solely for the information and use of Franklin County Florida, the County Commission, management, certain regulatory agencies, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Vance CPA LLC

Vance CPA LLC
June 25, 2013

Vance CPA, LLC

Certified Public Accountant

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

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

We have audited 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, 2012, which collectively comprise Franklin County, Florida's basic financial statements and have issued our report thereon dated June 25, 2013. 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 the County 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 effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Franklin County, Florida's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. (Listed as Items 12-01 to 12-05).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Franklin County'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*.

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

This report is intended solely for the information and use of the Franklin County Board of County Commissioners, management, the Auditor General of the State of Florida, 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.

Vance CPA LLC

Vance CPA LLC
June 25, 2013

Vance CPA, LLC

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the Franklin County, Florida's, (the County), compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the requirements described in the Department of Financial Service's *State Projects Compliance Supplement*, that could have a direct and material effect on each of the County's major federal programs and state projects for the year ended September 30, 2012. The County's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state projects is the responsibility of the County's management. Our responsibility is to express an opinion on the County'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*: Section 219.97, Florida Statutes (Section 215.97); and Chapter 10.550, *Rules of the Auditor General, State of Florida* (Chapter 10.550). Those standards and OMB Circular A-133, Section 215.97 and Chapter 10.555 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the County'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 the County's compliance with those requirements.

In our opinion, the County 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 federal programs and state projects for the year ended September 30, 2012.

Internal Control Over Compliance

Management of the County 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 the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program or state project to determine that 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, Section 215.97 or 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 the County'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 or state project 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 or state project 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.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of Franklin County, Florida's major federal programs and state projects and our testing of internal control over compliance and the results of our testing, and to provide an opinion on Franklin County, Florida's compliance but not to provide an opinion on the effectiveness of Franklin County, Florida's internal control over compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Franklin County, Florida's compliance with requirements applicable to each major federal programs and state projects and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

Vance CPA LLC

Vance CPA LLC

June 25, 2013

**FRANKLIN COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2012**

Federal Awards Program	CFDA Number	Contract/Grant Number	Expenditures
U.S. Department of Homeland Security			
Passed through Florida Department of Community Affairs			
Disaster Grants - Public Assistance			
Emergency Management Performance Grant	97.042	12-FG-R3-02-29-01-086	48,310
Emergency Management Performance Grant	97.042	13-FG-86-02-29-01-086	32,704
Total CFDA			<u>81,014</u>
Emergency Mgmt Drainage Mitigation Grant	97.039	12HM-3G-02-29-01-002	<u>30,067</u>
FEMA TS DEBBY Courthouse Repairs	97.036	TBD	131,250
FEMA-DR-1551 Hurricane Ivan	97.036	05-PA-G--02-02-01-585	119,253
FEMA 1595-DR-FL Hurricane Dennis	97.036	06-DN-G-02-29-01-588	309,288
Total CFDA			<u>559,791</u>
Homeland Security Grant (ODP)	97.067	10DS-39-02-29-01-258	27,000
Homeland Security Grant (ODP)	97.067	11DS-9Z-02-29-01-310	5,000
Emergency Management CERT Team Grant	97.067	11-CI-A6-02-29-01-323	6,750
Total CFDA			<u>38,750</u>
Total Department of Homeland Security			<u>709,622</u>
U.S. Department of Transportation			
Passed through Florida Department of Transportation			
Airport - Rehab Runway 14/32	20.106	FAA# 3-12-0001-006-2011	325,076
Total Department of Transportation			<u>325,076</u>
U.S. Department of Housing and Urban Development			
Passed through Florida Department of Community Affairs			
CDBG Elevate Approaches to Pine Log Bridge	14.228	10DB-J4-02-29-01-K12	284,556
CDBG Elevate Approaches to Pine Log Bridge	14.228	12DB-P5-02-29-01-K61	119,213
CDBG Construction EPWSD Grant	14.228	09DB-1A-02-29-01-N76	347,946
Total CFDA			<u>751,715</u>
Total Housing and Urban Development			<u>751,715</u>

FRANKLIN COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
YEAR ENDED SEPTEMBER 30, 2012

Federal Awards Program	CFDA Number	Contract/Grant Number	Expenditures
U.S. Department of Justice			
Passed through Department of Legal Affairs			
Rural Domestic Violence, Sexual Assault and Stalking A:	16.589	2010-WR-AX-0014	<u>10,193</u>
Edward Byrne Law Enforcement Grant	16.738	2012-JAGD-FRAN-1-C5-056	1,888
Edward Byrne Memorial Justice Assistance Grant- Narcotics Unit Urban Enforcement	16.738	2012-JAGC-FRAN-1-C4-059	<u>84,121</u>
Total CFDA			<u>86,009</u>
Total Department of Justice			<u>96,202</u>
U.S. Department of Commerce			
Passed through Florida Department of Agriculture			
Oyster Shelling Project 2012	11.454	FDACS 017122	<u>112,000</u>
Total Department of Commerce			<u>112,000</u>
U.S. Department of Energy			
Passed through Florida Department of Agriculture			
ARRA - Florida Energy Efficiency Grant	81.041	ARS017	<u>492,987</u>
Total Department of Energy			<u>492,987</u>

FRANKLIN COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
YEAR ENDED SEPTEMBER 30, 2012

Federal Awards Program	CFDA Number	Contract/Grant Number	Expenditures
U.S. Department of Agriculture			
Passed through Florida Department of Agriculture			
National Forest Funds - Secure Rural Schools Funds	10.665	Secure Rural Schools Funds	<u>18,415</u>
Total Department of Agriculture			<u>18,415</u>
U.S. Department of Health and Human Services			
Passed through Florida Department of Health			
HRS Service of Process	93.563	CSP-19	1492
Title IV-D CSE	93.563	Operational 001.331.650	<u>44799</u>
Total CFDA			<u>46,291</u>
State Rural Hospital Flexibility Program	93.241	DO239209	5000
Sm. Hospital Improvement Program (SHIP)	93.301	DO200463	8106
Total Department of Health and Human Services			<u>59,397</u>
Total expenditures of Federal awards			<u><u>2,565,414</u></u>

**FRANKLIN COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2012**

State Financial Assistance	CSFA Number	Contract/Grant Number	Expenditures
Florida Housing Finance Agency			
State Housing Initiatives Partnership (SHIP)	52.901	2010/2011	267,151
Florida Homebuyer Opportunity Program (FHOP - Homeb	52.901	2009/2010	33,454
Total CSDA			<u>300,605</u>
Total Florida Housing Finance Agency			<u>300,605</u>
Florida Department of Transportation			
Airport Construct Maintenance Hangar	55.004	41818919401 APP63	150
Airport 10,000 SF Hangar/Office Phase III	55.004	42072019401 APC84	112,775
Airport Rehabilitate County Hangar Phase II	55.004	41448919401 APA07	15,640
Airport Relocate Water & Sewer	55.004	42071819401 AP088	15,358
Airport Stormwater Sewer Upgrade PHIII	55.004	42071719401 AP273	77,895
Airport Rehab Corporate Hangars & T-Hangars @ Airpo	55.004	42037619401 AQ501	10,890
Airport Corporate Hangar/Office	55.004	42037719401 AQ502	27,778
Airport Runway 1-3 Land Purchase Surveys, Etc.	55.004	41850619401 AOZ2501	25,065
Airport Rehab Runway 14/32	55.004	41604719401 AQE80	11,783
Airport Rehab Runway 14/32	55.004	41604819401 AQF78	22,251
Airport - Runway 1-3 Land Approach Purchase	55.004	41818719401 AP051	9,783
Total CSDA			<u>329,368</u>
FDOT Landscaping Grant	55.023	41653385816 AQK0612	9,968
Total Department of Transportation			<u>339,336</u>
Florida Department of Environmental Protection			
Consolidated Solid Waste Management Grant	37.012	208SC	68,798
Total Department of Environmental Protection			<u>68,798</u>
Florida Department of Health			
County Grant Awards	64.003		78,541
Total Department of Health			<u>78,541</u>

**FRANKLIN COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (continued)
YEAR ENDED SEPTEMBER 30, 2012**

State Financial Assistance	CSFA Number	Contract/Grant Number	Expenditures
Florida Department of State			
State Aid to Libraries	45.03		<u>62,723</u>
Total Department of State			<u>62,723</u>
Florida Department of Agriculture			
Mosquito Control - State I	42.003	FDACS 017221	<u>18,334</u>
Total Department of Agriculture			<u>18,334</u>
Department of Community Affairs			
Emergency Mgmt Preparedness Grant EMPA	52.008	12-BG-05-02-29-01-019	105788
Emergency Mgmt Preparedness Grant EMPA	52.008	13-BG-83-02-29-01-019	<u>5042</u>
Total CSDA			<u>110,830</u>
Total Department of Community Affairs			<u>110,830</u>
Florida Department of Management Services			
Sm. Co. GIS Map Display (E911)	72.001	11-04-35	24,956
Sm. Co. E911 Mapping Grant	72.001	11-10-38	<u>57,945</u>
Total CSDA			<u>82,901</u>
Total Department of Management Services			<u>82,901</u>

FRANKLIN COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (continued)
YEAR ENDED SEPTEMBER 30, 2012

State Financial Assistance	CSFA Number	Contract/Grant Number	Expenditures
<hr/>			
Florida Office of Court Administration			
Courthouse Facilities (Security)	22.004		<u>3,885</u>
Total Office of Court Administration			<u>3,885</u>
Florida Fish and Wildlife Conservation Commission			
Abercrombie & SGI Boat Ramp - FBIP Grant	77.006	FWC Contract #11144	<u>12,921</u>
Total Fish and Wildlife Conservation Commission			<u>12,921</u>
Total expenditures of State awards			<u>1,078,874</u>

**FRANKLIN COUNTY, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2012**

Note 1 – Basis of Accounting

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

Note 2 – Reporting Entity

For the purpose of the supplementary schedule of expenditures of federal awards and state financial assistance the County includes all the funds of the primary government as defined by GASB Statement No. 14, *The Financial Reporting Entity*.

Note 3 – Pass-Through Awards

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

**FRANKLIN COUNTY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2012**

Section 1 – Summary of Auditor’s Results

Financial Statements

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

Federal Awards and State Financial Assistance

Internal control over major programs material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency (ies) identified not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none Reported

Type of auditor’s report issued on compliance for major programs	Unqualified
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) or Section 10.557, Rules of the Auditor General?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
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Identification of major federal awards/state financial assistance projects:

<u>CFDA/CSFA Number</u>	<u>Name of Federal Award/State Financial Assistance Project</u>
52.901	State Housing Initiative
14.228	CDBG
81.041	State Energy Program
97.036	Disaster Grants

(continued)

**FRANKLIN COUNTY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
YEAR ENDED SEPTEMBER 30, 2012**

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

Auditee qualified as low-risk auditee? X yes none

Section II – Financial Statement Findings

See Summary Schedule of Current Year Findings

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

No findings or questioned costs in the current year.

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

No findings or questioned costs in the current year.

Section V – Other Issues

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

**FRANKLIN COUNTY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
SEPTEMBER 30, 2012**

SUMMARY SCHEDULE OF CURRENT YEAR AUDIT FINDINGS

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

Board of County Commissioners

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

Management's response

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

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

Board of County Commissioners

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

Management's response

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

12-03 (Prior year 11-03, 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
SUMMARY SCHEDULE OF CURRENT YEAR AUDIT FINDINGS
SEPTEMBER 30, 2012**

12-04 (Prior year 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.

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

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

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

Management's response

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