

Franklin County, Florida

Annual Financial Report
September 30, 2015

Vance CPA, LLC

Certified Public Accountant
219-B Avenue E
Apalachicola, FL 32320
Tel. (888) 531-6408 • Fax (866) 406-7422

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FRANKLIN COUNTY, FLORIDA
SEPTEMBER 30, 2015

TABLE OF CONTENTS

Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government- wide Financial Statements	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet Governmental Funds	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Economic Development - CDBG	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – State Housing Initiative Partnership Fund	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Tourist Development Fund	20
Statement of Net Position – Proprietary Funds	21
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	22
Statement of Cash Flows – Proprietary Funds	23
Statement of Fiduciary Net Position – Fiduciary Funds	24
Notes to the Financial Statements	25

FRANKLIN COUNTY, FLORIDA
SEPTEMBER 30, 2015

TABLE OF CONTENTS (continued)

Required Supplementary Information:

Schedule of Funding Progress for the Retiree's Health Insurance Other Postemployment Benefits Plan	59
Schedule of Employer Contributions for the Retiree's Health Insurance Other Postemployment Benefits Plan	59
Proportionate Share of Net Pension Liability	60
Schedule of Pension ontributions	61

Combining Financial Statements:

Combining Balance Sheet – Nonmajor Governmental Funds	63
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental fund	66
Combining Balance Sheet – Agency Funds	69

Compliance Section:

Independent Auditor's Report on Examination of Compliance Requirements in Accordance with Chapter 10.550, <i>Rules of the Auditor General</i>	72
Independent Auditor's Management Letter	73
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	75
Independent Auditor's Report on Compliance with Requirements that could have a direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General	76
Schedule of Expenditures of Federal Awards and State Financial Assistance	78
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance	82
Schedule of Findings and Responses	83
Schedule of Current Year Audit Findings	86
Schedule of Prior Year Audit Findings	89

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, (the "County"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2015, and the respective changes

in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund, SHIP fund, and the economic development fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress and employees contribution for retiree's health insurance other post employment benefits plan, schedule of proportionate share of net pension liability, and schedule of pension contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statement, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The accompanying schedule of expenditures of federal awards, and state financial assistance as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550 Rule of the Auditor General of the State of Florida, and the combining nonmajor fund financial statements are presented for purposes of additional analysis and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2015, on our consideration of the Franklin County, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Franklin County, Florida's internal control over financial reporting and compliance.

Vance CPA LLC

Vance CPA LLC
June 27, 2016

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 increased \$115,406 or 0.12% from September 30, 2014, to September 30, 2015.
- During the year ended September 30, 2015, the financial statements show that the County's general fund revenues exceeded expenditures by \$368,896. Total expenditures in the general fund were less than budgeted amounts.
- The County's capital assets, net of accumulated depreciation, decreased \$490,265 which represents a decrease of 0.53% for the year.

Nonfinancial Events

- Through a grant provided by the U.S. Fish and Wildlife Service the county was able to purchase the waterfront parcel that had formerly been El's Court Motel east of Carrabelle. The grant paid \$600,000 towards the purchase of 3.10 waterfront acres and 4.03 additional acres across Highway 98. There were two existing piers on the property and the county will do shoreline restoration and work to replant the maritime forest.
- The County received a historic preservation grant to assist in the replacement of the roof on Chapman Auditorium. The auditorium was built in the early 1930's and is a beautiful art-deco structure in the center of Apalachicola. The roof had begun to leak on the historic structure and the grant paid \$50,000 towards the replacement of the roof. Upon removal of the old roofing material, it was discovered that some of the decking also needed replacement. The total cost of the repairs to the auditorium was \$172,318.
- The County also received a historic preservation grant to assist in the restoration of Fort Coombs Armory. Fort Coombs Armory was built in 1901 and was used as an active armory for the National Guard until 2004 when the State of Florida signed a long term lease to Franklin County. There have been several phases of restoration done to date and in 2014/2015, the county received \$350,000 in historic preservation funds to be used to replace the exterior windows, update the kitchen, and make ADA renovations to the restrooms. The county also installed an air conditioning system which was funded by the 2% Tourist Development Tax as the Armory is a designated convention center in the county. Drainage repairs funded by local option gas taxes were also a part of the project and included re-routing drainage on the street around the building to prevent water from settling beneath the Armory. The total cost of the project was \$996,085 and another phase of restoration is set to begin next fiscal year to make structural repairs to the floor and foundation, increase ADA access by redesigning ramp at the side entrance and replace the existing commercial style front doors with a more historically appropriate door unit similar to the original.

- Through a grant funded by the Florida Fish and Wildlife Conservation Commission and the use of boating improvement fund fees (collections from boat registrations) the County constructed two fifty foot unloading platforms/piers at the Abercrombie Boat Ramp in Apalachicola.
- Through grants provided by the Florida Department of Transportation, the County widened and resurfaced Oak Street in Lanark from Arizona Street to Doe Lane at a total cost of \$911,613 and widened and resurfaced Bayshore Drive to US Highway 98 in Eastpoint at a total cost of \$1,532,537.
- In January of 2008, Franklin County began levying the 1% Discretionary Sales Surtax for health care on all taxable purchases. The proceeds of the 1% Discretionary Sales Surtax is split between capital outlay and operating expenses for the local Weems Memorial Hospital. The current balance available in the Health Care Trust Fund for capital improvements is \$1,861,201.89.
- For the first time since 2006, Franklin County saw an increase instead of a decline in taxable property values. The County's 2014 gross taxable value as certified by the Franklin County Property Appraiser increased by a little more than 18 million dollars from the 2013 certified value. This 1.12% increase reflected newfound hope and market stabilization after years of decline following the tough economic downturn. The millage rate was decreased to 6.4296 mills in fiscal year 2014/2015 with budgeted property tax proceeds of \$10,611,883. The budgeted proceeds were \$51,225 more than the budgeted proceeds in fiscal year 2013/2014. The total budgeted positions in the 2014/2015 fiscal year were 162, down from a high in 2006/2007 of 191 budgeted positions. The County gave an across the board salary increase of \$1,100 effective October 1, 2013 – this was the first such increase approved in five years. In 2014/2015 the County gave a \$500 one time allocation to all county employees, no across the board salary increase was given.

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 2015 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 \$93 million at September 30, 2015, and \$98 million at September 30, 2014.

Franklin County's Net Position						
September 30,	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 22,252,534	\$ 22,392,660	\$ 2,192,637	\$ 2,190,314	\$ 24,445,171	\$ 24,582,974
Capital assets, net	<u>88,989,096</u>	<u>89,842,754</u>	<u>2,909,197</u>	<u>2,799,673</u>	<u>91,898,293</u>	<u>92,642,427</u>
Total assets	<u>111,241,630</u>	<u>112,235,414</u>	<u>5,101,834</u>	<u>4,989,987</u>	<u>116,343,464</u>	<u>117,225,401</u>
Deferred Outflows	<u>2,084,369</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,084,369</u>	<u>—</u>
Current and other liabilities	690,488	1,711,552	962,717	1,009,587	1,653,205	2,721,139
Long-term liabilities	<u>22,033,788</u>	<u>15,898,039</u>	<u>495,366</u>	<u>163,023</u>	<u>22,529,154</u>	<u>16,061,062</u>
Total liabilities	<u>22,724,276</u>	<u>17,609,591</u>	<u>1,458,083</u>	<u>1,172,610</u>	<u>24,182,359</u>	<u>18,782,201</u>
Deferred Inflows	<u>1,735,687</u>	<u>11,281</u>	<u>—</u>	<u>—</u>	<u>1,735,687</u>	<u>11,281</u>
Net position:						
Net investment in capital assets	87,943,270	88,909,728	2,412,281	2,642,774	90,355,551	91,552,502
Restricted	8,844,725	7,762,543	—	—	8,844,725	7,762,543
Unrestricted	<u>(7,921,959)</u>	<u>(2,057,729)</u>	<u>1,231,470</u>	<u>1,174,603</u>	<u>(6,690,489)</u>	<u>(883,126)</u>
Total net position	<u>\$ 88,866,036</u>	<u>\$ 94,614,542</u>	<u>\$ 3,643,751</u>	<u>\$ 3,817,377</u>	<u>\$ 92,509,787</u>	<u>\$98,431,919</u>

Franklin County's Statement of Activities
For The Years Ended September 30, 2015 and 2014

The following schedule summarizes revenues and expenses for the years ended September 30, 2015, and 2014:

Year ended Sept 30,	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Program Revenues						
Charges for services	\$ 1,604,586	\$ 1,760,525	\$ 6,044,697	\$ 6,518,341	\$ 7,649,283	\$ 8,278,866
Operating grants and contributions	3,996,328	6,210,115	491,804	346,439	4,488,132	6,556,554
Capital grants and contributions	284,141	681,549	—	—	284,141	681,549
General Revenues-						
Property taxes	10,317,674	10,274,264	—	—	10,317,674	10,274,264
Other taxes	6,045,106	5,865,440	—	—	6,045,106	5,865,440
Investment earnings	57,116	55,179	—	—	57,116	55,179
Other	341,509	337,473	—	—	341,509	337,473
Transfers	<u>(1,608,981)</u>	<u>(1,896,049)</u>	<u>1,608,981</u>	<u>1,896,049</u>	<u>—</u>	<u>—</u>
Total revenues	<u>21,037,479</u>	<u>23,288,496</u>	<u>8,145,482</u>	<u>8,760,829</u>	<u>29,182,961</u>	<u>32,049,325</u>
Expenses						
Program activities						
General government	3,466,062	4,097,384	—	—	3,466,062	4,097,384
Public safety	6,025,139	6,889,802	—	—	6,025,139	6,889,802
Physical environment	1,494,025	2,249,376	—	—	1,494,025	2,249,376
Transportation	5,447,535	7,470,238	—	—	5,447,535	7,470,238
Economic environment	1,010,739	1,264,689	—	—	1,010,739	1,264,689
Human services	785,030	993,423	—	—	785,030	993,423
Culture and recreation	721,575	1,515,605	—	—	721,575	1,515,605
Court related	1,798,342	1,677,632	—	—	1,798,342	1,677,632
Business-type activities	<u>—</u>	<u>—</u>	<u>8,319,108</u>	<u>7,779,649</u>	<u>8,319,108</u>	<u>7,779,649</u>
Total expenses	<u>20,748,447</u>	<u>26,158,149</u>	<u>8,319,108</u>	<u>7,779,649</u>	<u>29,067,555</u>	<u>33,937,798</u>
Increase (decrease)	<u>\$ 289,032</u>	<u>\$ (2,869,653)</u>	<u>\$ (173,626)</u>	<u>\$ 981,180</u>	<u>\$ 115,406</u>	<u>\$ (1,888,473)</u>

Financial Analysis of Individual Funds

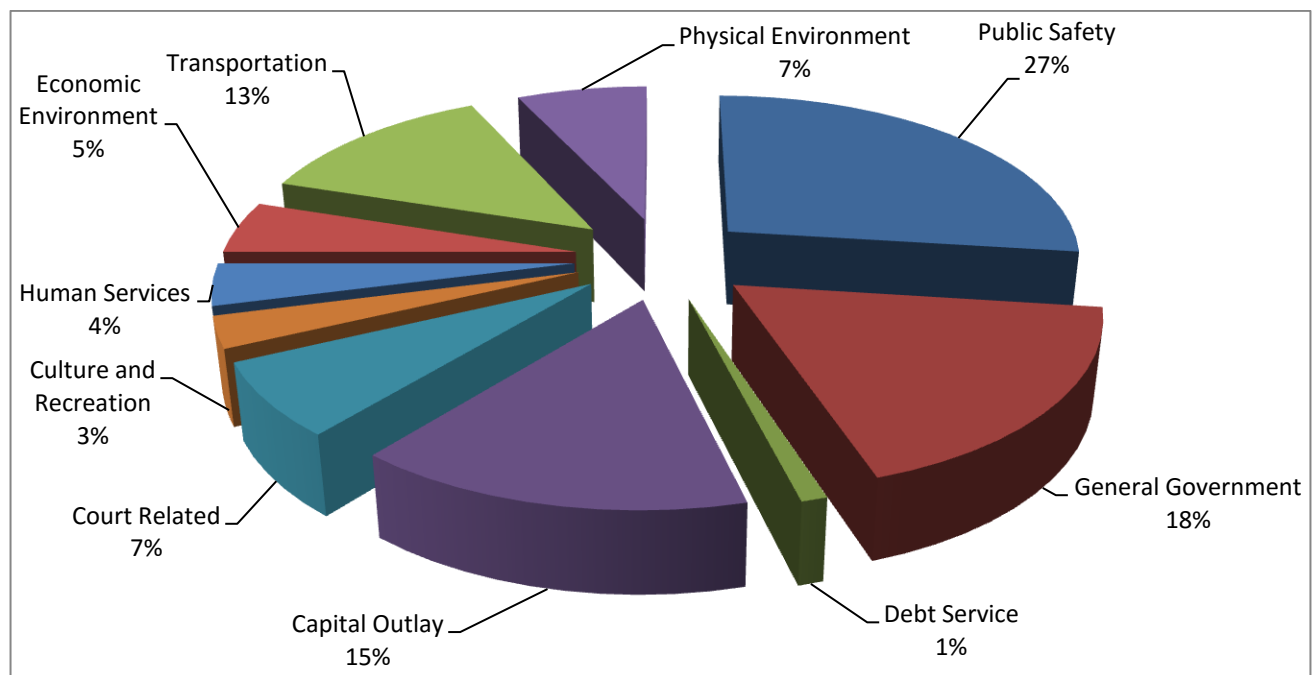
This section provides an analysis of the balances and transactions of individual funds. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 2015, the county's governmental funds reported combined ending fund balances of \$21,018,345. Of this amount, *unassigned fund balance* is \$10,221,602.

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 \$342,798.13. 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.

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), large capital asset purchases during the year, and long-term debt status update.

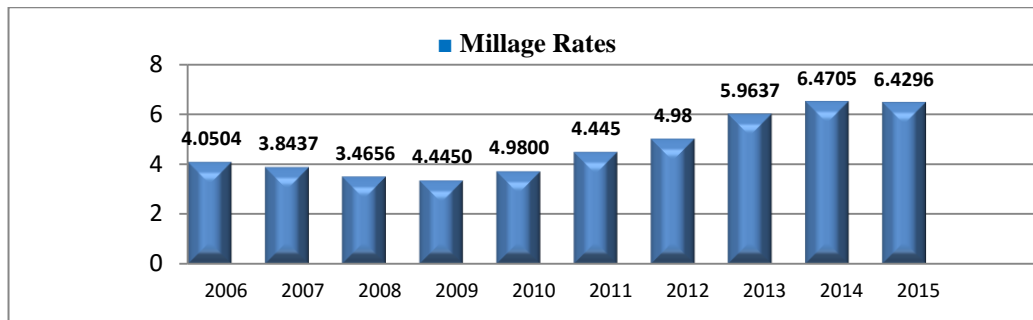
- In August of 2015 the County purchased 7.13 acres East of Carrabelle for \$724,440 with 3.10 of those acres being waterfront. The county has plans to turn the site into a public park.
- In November of 2014 the County purchased a .28 acre commercial property in Carrabelle to serve as the new Carrabelle Annex location for the County Courthouse. This property was an excellent buy for the County as it would have been impossible to build something similar for the \$238,868 that was paid; the appraisal report valued the building at \$275,000. The building had previously been a bank, it was constructed in 2002 and is 2,326 square feet – the address of the building is 912 NW Avenue A, Carrabelle.
- The County purchased a several new vehicles in 2014/2015 – a new Ford F150 4x4 truck for the Parks and Recreation Department, a new John Deere Gator Utility for the Mosquito Control Department and three Ford 150 4x4 trucks for the Road Department
- As a joint project between the Parks and Recreation Department and the Tourist Development Council, new playground equipment was installed at the St. George Island Lighthouse Park at a cost of \$37,288. The old equipment was in disrepair and the park is heavily used by residents and visitors.

- The County issued new long-term debt during the 2015 fiscal year – the purchase of the \$234,562 M316 Caterpillar Excavator for the road department was partially financed. Two aging pieces of equipment were taken in on trade and the \$179,562 balance due on the excavator after the trade was financed for a period of four years at 2.9%.

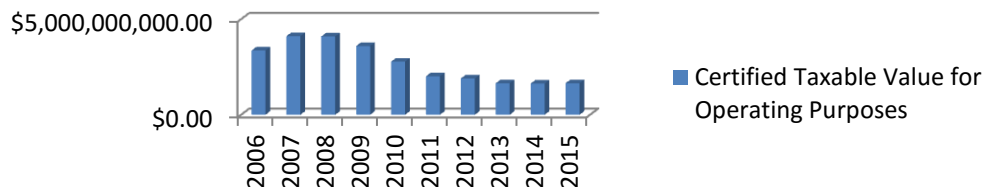
Significant Economic Factors

Taxable Value of Property and Millage Rates

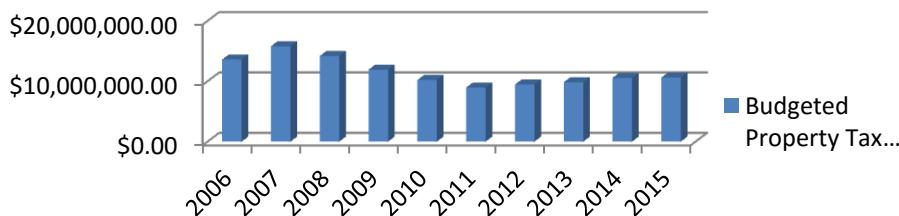
The County received approximately \$10.27 million in property taxes based on the certified taxable value of property in Franklin County. This represents an increase from the prior year of \$500,000 and is a result of an increase in the taxable value of new construction in the County.



Certified Taxable Value for Operating Purposes



Budgeted Property Tax Proceeds



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 POSITION
SEPTEMBER 30, 2015**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 17,634,155	\$ 280,683	\$ 17,914,838
Equity in pooled cash	2,485,043	—	2,485,043
Accounts receivable, net	231,336	1,722,492	1,953,828
Notes receivable	714,472	—	714,472
Internal balances	(173,763)	173,763	—
Prepaid expenses	21,072	15,699	36,771
Due from other governments	1,340,219	—	1,340,219
Non-Depreciable Capital Assets	5,306,412	13,400	5,319,812
Depreciable Capital Assets, Net	83,682,684	2,895,797	86,578,481
Total Assets	<u>111,241,630</u>	<u>5,101,834</u>	<u>116,343,464</u>
DEFERRED OUTFLOWS			
Employee Pension Contributions	2,084,369	—	2,084,369
Total Deferred Outflows	<u>2,084,369</u>	<u>—</u>	<u>2,084,369</u>
LIABILITIES			
Accounts payable	287,446	659,925	947,371
Accrued liabilities	—	160,380	160,380
Due to other governments	146,260	—	146,260
Long-term liabilities			
Customer deposits	4,000	—	4,000
Due within one year			
Accrued compensated absences	136,387	28,172	164,559
Notes and leases payable	116,395	114,240	230,635
Due in more than one year			
Accrued compensated absences	409,161	112,690	521,851
Notes and leases payable	929,431	382,676	1,312,107
Net OPEB obligation	13,539,694	—	13,539,694
Landfill closure liability	2,716,814	—	2,716,814
Net pension liability	4,438,688	—	4,438,688
Total Liabilities	<u>22,724,276</u>	<u>1,458,083</u>	<u>24,182,359</u>
DEFERRED INFLOWS			
Grant funds	11,682	—	11,682
Employee pension contributions	1,724,005	—	1,724,005
Total Deferred Inflows	<u>1,735,687</u>	<u>—</u>	<u>1,735,687</u>
NET POSITION			
Net investment in capital assets	87,943,270	2,412,281	90,355,551
Restricted	8,844,725	—	8,844,725
Unrestricted	(7,921,959)	1,231,470	(6,690,489)
Total Net Position	<u>\$ 88,866,036</u>	<u>\$ 3,643,751</u>	<u>\$ 92,509,787</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Functions/Programs	Expenses	Program Revenues/			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	
Primary Government							
Governmental activities							
General government	\$ 3,466,062	\$ 177,462	\$ 135,074	\$ —	\$(3,153,526)	\$ —	\$ (3,153,526)
Public safety	6,025,139	539,296	181,546	—	(5,304,297)	—	(5,304,297)
Physical environment	1,494,025	629,412	1,143,412	—	278,799	—	278,799
Transportation	5,447,535	49,958	1,524,985	207,510	(3,665,082)	—	(3,665,082)
Economic environment	1,010,739	—	—	—	(1,010,739)	—	(1,010,739)
Human services	785,030	—	124,151	—	(660,879)	—	(660,879)
Culture and recreation	721,575	3,250	481,217	76,631	(160,477)	—	(160,477)
Court related	<u>1,798,342</u>	<u>205,208</u>	<u>405,943</u>	<u>—</u>	<u>(1,187,191)</u>	<u>—</u>	<u>(1,187,191)</u>
Total Governmental Activities	<u>20,748,447</u>	<u>1,604,586</u>	<u>3,996,328</u>	<u>284,141</u>	<u>(14,863,392)</u>	<u>—</u>	<u>(14,863,392)</u>
Business-Type Activities							
Hospital	<u>8,319,108</u>	<u>6,044,697</u>	<u>491,804</u>	<u>—</u>	<u>—</u>	<u>(1,782,607)</u>	<u>(16,645,999)</u>
Total Primary Government	<u>\$29,067,555</u>	<u>\$ 7,649,283</u>	<u>\$ 4,488,132</u>	<u>\$ 284,141</u>	<u>(14,863,392)</u>	<u>(1,782,607)</u>	<u>(31,509,391)</u>
General Revenues:							
Property tax					10,317,674	—	10,317,674
Local Option Sales					241,425	—	241,425
Sales tax and other shared revenues					5,803,681	—	5,803,681
Investment earnings					57,116	—	57,116
Miscellaneous					341,509	—	341,509
Transfers					<u>(1,608,981)</u>	<u>1,608,981</u>	<u>—</u>
Total General Revenues					<u>15,152,424</u>	<u>1,608,981</u>	<u>16,761,405</u>
Changes in Net Position					289,032	(173,626)	115,406
Net Position – Beginning of Year					94,614,542	3,817,377	98,431,919
Prior period adjustment (note 16)					<u>(6,037,538)</u>	<u>—</u>	<u>(6,037,538)</u>
Net Position – End of Year					<u>\$ 88,866,036</u>	<u>\$ 3,643,751</u>	<u>\$ 92,509,787</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
BALANCE SHEET
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<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	\$ 10,846,707	\$ 12,797	\$ 31,725	\$ 6,742,926	\$ 17,634,155
Equity in pooled cash	472,669	268,597	33,556	1,710,221	2,485,043
Due from other funds	390,181	—	—	43,535	433,716
Due from other governmental units	379,723	—	—	960,496	1,340,219
Accounts receivable, net	168,812	—	—	62,524	231,336
Notes receivable	—	327,900	386,572	—	714,472
Prepaid expenses	<u>3,243</u>	<u>—</u>	<u>—</u>	<u>17,829</u>	<u>21,072</u>
Total Assets	<u>\$12,261,335</u>	<u>\$ 609,294</u>	<u>\$ 451,853</u>	<u>\$ 9,537,531</u>	<u>\$ 22,860,013</u>
Liabilities Deferred Inflows & Fund Balances					
Liabilities					
Customer deposits	\$ —	\$ —	\$ —	\$ 4,000	\$ 4,000
Vouchers payable	115,507	—	1,625	170,314	287,446
Due to other governmental units	61,257	—	—	85,003	146,260
Due to other funds	<u>129,533</u>	<u>—</u>	<u>—</u>	<u>477,946</u>	<u>607,479</u>
Total Liabilities	<u>306,297</u>	<u>—</u>	<u>1,625</u>	<u>737,263</u>	<u>1,045,185</u>
Deferred Inflows					
Notes receivable	—	—	392,748	—	392,748
Fines	64,153	—	—	—	64,153
Grant funds	<u>—</u>	<u>327,900</u>	<u>—</u>	<u>11,682</u>	<u>339,582</u>
Total Deferred Inflows	<u>64,153</u>	<u>327,900</u>	<u>392,748</u>	<u>11,682</u>	<u>796,483</u>
Fund Balances					
Nonspendable	3,243	—	—	11,682	14,925
Restricted	981,487	281,394	57,480	7,524,364	8,844,725
Assigned	684,553	—	—	1,252,540	1,937,093
Unassigned	<u>10,221,602</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>10,221,602</u>
Total fund Balances	<u>11,890,885</u>	<u>281,394</u>	<u>57,480</u>	<u>8,788,586</u>	<u>21,018,345</u>
Total Liabilities Deferred Inflows & Fund Balances					
	<u>\$12,261,335</u>	<u>\$ 609,294</u>	<u>\$ 451,853</u>	<u>\$ 9,537,531</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds 88,989,096

Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the fund. (17,847,882)

Pension liabilities are not due and payable in the current period and therefore, are not reported as liabilities in government funds, nor are related deferred outflows and inflows. (4,078,324)

Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds. 784,801
Net position of governmental activities \$ 88,866,036

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, 2015**

	General	Economic Development CDBG	State Housing Initiatives Partnership	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 10,317,676	\$ —	\$ —	\$ 3,305,854	\$ 13,623,530
Licenses and permits	152,332	—	—	497,924	650,256
Intergovernmental	3,672,105	—	252,664	3,990,810	7,915,579
Fines and forfeitures	8,366	—	—	18,127	26,493
Charges for services	306,724	—	—	676,633	983,357
Investment earnings and other	<u>197,159</u>	<u>543</u>	<u>12,292</u>	<u>141,470</u>	<u>351,464</u>
Total Revenues	<u>14,654,362</u>	<u>543</u>	<u>264,956</u>	<u>8,630,818</u>	<u>23,550,679</u>
Expenditures					
Current					
General government	3,787,812	—	—	25,554	3,813,366
Public safety	5,060,444	—	—	620,736	5,681,180
Physical environment	1,070,677	—	—	370,437	1,441,114
Transportation	—	—	—	2,663,333	2,663,333
Economic environment	76,394	—	252,665	615,723	944,782
Human services	616,396	—	—	156,489	772,885
Culture and recreation	706,814	—	—	—	706,814
Court related	841,814	—	—	664,711	1,506,525
Capital outlay	2,101,567	—	—	1,151,249	3,252,816
Debt service	<u>23,548</u>	<u>—</u>	<u>—</u>	<u>76,000</u>	<u>99,548</u>
Total Expenditures	<u>14,285,466</u>	<u>—</u>	<u>252,665</u>	<u>6,344,232</u>	<u>20,882,363</u>
Excess (deficit) of revenues over (under) expenditures	<u>368,896</u>	<u>543</u>	<u>12,291</u>	<u>2,286,586</u>	<u>2,668,316</u>
Other financing sources (uses)					
Transfers in	251,943	—	—	199,875	451,818
Transfers out	(691,958)	—	—	(1,368,841)	(2,060,799)
Debt proceeds	<u>—</u>	<u>—</u>	<u>—</u>	<u>179,562</u>	<u>179,562</u>
Total other financing sources (uses)	<u>(440,015)</u>	<u>—</u>	<u>—</u>	<u>(989,404)</u>	<u>(1,429,419)</u>
Net change in fund balances	(71,119)	543	12,291	1,297,182	1,238,897
Fund balances-beginning	<u>11,962,004</u>	<u>280,851</u>	<u>45,189</u>	<u>7,491,404</u>	<u>19,779,448</u>
Fund balances-ending	<u>\$11,890,885</u>	<u>\$ 281,394</u>	<u>\$ 57,480</u>	<u>\$ 8,788,586</u>	<u>\$ 21,018,345</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, 2015**

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

Net change in fund balances – total governmental funds (page 15)	\$ 1,238,897
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of activities.	3,252,816
Cost of disposed capital assets is not considered in the funds.	(210,898)
Pension contributions are reported as expenditures in the funds while pension expenses is reported in the government-wide statements.	1,959,214
Depreciation expense on governmental capital assets included in the governmental activities in the statement of activities.	(3,800,340)
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 position.	66,762
Debt proceeds reported in governmental funds increase liabilities in the statement of net position.	(179,562)
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>(2,037,857)</u>
Change in net position of governmental activities	<u><u>\$ 289,032</u></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, 2015**

	Budget Original	Budget Final	Actual	Variance
REVENUES				
Taxes	\$10,663,459	\$10,663,459	\$10,317,676	\$ (345,783)
Licenses and permits	131,305	131,305	152,332	21,027
Intergovernmental	4,144,214	4,601,836	3,672,105	(929,731)
Fines and forfeitures	6,000	6,000	8,366	2,366
Charges for services	294,076	294,076	306,724	12,648
Miscellaneous revenues	<u>75,409</u>	<u>91,782</u>	<u>197,159</u>	<u>105,377</u>
Total Revenues	<u>15,314,463</u>	<u>15,788,458</u>	<u>14,654,362</u>	<u>(1,134,096)</u>
EXPENDITURES				
Current				
General government	4,068,622	4,180,572	3,787,812	392,760
Public safety	5,042,406	5,025,122	5,060,444	(35,322)
Physical environment	1,087,363	1,099,493	1,070,677	28,816
Transportation	306,076	306,076	—	306,076
Economic environment	77,497	77,497	76,394	1,103
Human services	678,472	678,472	616,396	62,076
Culture and recreation	1,759,429	1,732,536	706,814	1,025,722
Court related	1,273,349	1,273,349	841,814	431,535
Debt Service	36,400	28,862	23,548	5,314
Capital outlay	<u>2,747,287</u>	<u>3,612,757</u>	<u>2,101,567</u>	<u>1,511,190</u>
Total Expenditures	<u>17,076,901</u>	<u>18,014,736</u>	<u>14,285,466</u>	<u>3,729,270</u>
Excess (deficit) of revenues over (under) expenditures	(1,762,438)	(2,226,278)	368,896	2,595,174
Other financing sources (uses)				
Transfers in	269,176	269,176	251,943	(17,233)
Transfers out	(1,354,497)	(1,354,497)	(691,958)	662,539
Debt issuance	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing sources (uses)	<u>(1,085,321)</u>	<u>(1,085,321)</u>	<u>(440,015)</u>	<u>645,306</u>
Net change in Fund Balance	(2,847,759)	(3,311,599)	(71,119)	3,240,480
Fund balance - beginning	<u>11,962,004</u>	<u>11,962,004</u>	<u>11,962,004</u>	<u>—</u>
Fund balance - ending	<u>\$ 9,114,245</u>	<u>\$ 8,650,405</u>	<u>\$ 11,890,885</u>	<u>\$ 3,240,480</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, 2015

	Budget Original	Budget Final	Actual	Variance
REVENUES				
Miscellaneous revenues	\$ 537	\$ 537	\$ 543	\$ 6
Total Revenues	<u>537</u>	<u>537</u>	<u>543</u>	<u>6</u>
EXPENDITURES				
Current				
Transportation	—	—	—	—
Capital outlay	—	—	—	—
Total Expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficit) of revenues over (under) expenditures	537	537	543	6
Other financing sources (uses)				
Transfers out	—	—	—	—
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net changes in fund balance	537	537	543	6
Fund balance – beginning of year	<u>280,851</u>	<u>280,851</u>	<u>280,851</u>	<u>—</u>
Fund balance – End of year	<u>\$ 281,388</u>	<u>\$ 281,388</u>	<u>\$ 281,394</u>	<u>\$ 6</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, 2015**

	<u>Budget Original</u>	<u>Budget Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Intergovernmental	\$ 350,000	\$ 350,000	\$ 252,664	\$ (97,336)
Miscellaneous revenues	<u>21,350</u>	<u>21,350</u>	<u>12,292</u>	<u>(9,058)</u>
Total Revenues	<u>371,350</u>	<u>371,350</u>	<u>264,956</u>	<u>(106,394)</u>
EXPENDITURES				
Current				
Economic environment	<u>449,782</u>	<u>449,782</u>	<u>252,665</u>	<u>197,117</u>
Total Expenditures	<u>449,782</u>	<u>449,782</u>	<u>252,665</u>	<u>197,117</u>
Excess (deficit) of revenues over (under) expenditures	(78,432)	(78,432)	12,291	90,723
Fund balance – beginning of year	<u>45,189</u>	<u>45,189</u>	<u>45,189</u>	<u>—</u>
Fund balance – End of year	<u><u>\$ (33,243)</u></u>	<u><u>\$ (33,243)</u></u>	<u><u>\$ 57,480</u></u>	<u><u>\$ 90,723</u></u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Business-type Activities – Enterprise Fund</u>	<u>Hospital</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 280,683	
Accounts receivable		
(net of allowance for doubtful accounts)	1,716,992	
Due from other funds	173,763	
Prepaid expenses	15,699	
Other current assets	<u>5,500</u>	
Total current assets		<u>2,192,637</u>
Noncurrent Assets		
Capital assets		
Land	13,400	
Buildings	1,594,815	
Equipment and furniture	2,576,504	
Construction in progress	<u>494,885</u>	
Total capital assets	4,679,604	
Less accumulated depreciation	<u>(1,770,407)</u>	
Net capital assets (net of accumulated depreciation)		<u>2,909,197</u>
Total Assets		<u>\$ 5,101,834</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 659,925	
Accrued liabilities	160,380	
Compensated absences - current	28,172	
Leases payable - current	<u>114,240</u>	
Total current liabilities		<u>962,717</u>
Noncurrent Liabilities		
Compensated absences	112,690	
Leases payable	<u>382,676</u>	
Total noncurrent liabilities		<u>495,366</u>
Total Liabilities		<u>1,458,083</u>
Net Position:		
Net investment in capital assets	2,412,281	
Unrestricted	<u>1,231,470</u>	
Total Net Position		<u>\$ 3,643,751</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

<u>Business-type Activities – Enterprise Fund</u>	
	<u>Hospital</u>
Operating Revenues	
Net patient service revenue	\$ 5,875,662
Other	<u>486,547</u>
Total operating revenues	<u>6,362,209</u>
Operating expenses	
Employee leasing	4,061,044
Advertising	65,857
Licenses and permits	9,587
Professional services	945,894
Training and development	8,344
Insurance	669,374
Other contract services	814,227
Other patient care related costs	179,686
Repairs and maintenance	119,426
Minor equipment	77,780
Supplies	91,904
Clinical supplies	572,679
Travel	33,920
Communications	54,792
Utilities	162,821
Other current charges	242,668
Depreciation	<u>210,867</u>
Total operating expenses	<u>8,320,870</u>
Operating Income (loss)	<u>(1,958,661)</u>
Nonoperating revenues (expense)	
Transfers in	1,608,981
Loss on disposal of capital assets	(315,492)
Interest income	1,504
Operating contributions and grants	491,804
Interest expense	<u>(1,762)</u>
Total Nonoperating revenue (expense)	<u>1,785,035</u>
Change in net position	(173,626)
Net position, beginning of year	<u>3,817,377</u>
Net position, end of year	<u>\$ 3,643,751</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

<u>Business-type Activities – Enterprise Fund</u>	
	<u>Hospital</u>
Operating activities	
Receipts from customers	\$ 5,984,795
Payments to suppliers and others	(4,058,938)
Payments to employees	<u>(4,059,674)</u>
Net cash used in operating activities	<u>(2,133,817)</u>
Noncapital financing activities	
Contributions and grants	491,804
Transfers in	<u>1,608,981</u>
Net cash provided by noncapital financing activities	<u>2,100,785</u>
Capital and related financing activities	
Acquisition of capital assets	(109,306)
Payments on long-term debt	(112,900)
Interest paid on long-term debt	<u>(1,762)</u>
Net cash used in capital and related financing activities	<u>(223,968)</u>
Investing activities	
Interest received	<u>1,504</u>
Net cash provided by investing activities	<u>1,504</u>
Net increase in cash and cash equivalents	(255,496)
Cash and cash equivalents, beginning	<u>536,179</u>
Cash and cash equivalents, ending	<u>\$ 280,683</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, 2015

<u>Business-type Activities – Enterprise Fund</u>	
	<u>Hospital</u>
Reconciliation of operating income (loss) to net cash used in operating activities	
Operating income (loss)	\$ <u>(1,958,661)</u>
Adjustments to reconcile operating income (loss) to net cash used in operating activities	
Depreciation expense	210,867
(Increase) decrease in	
Accounts receivable (net)	(377,414)
Due from other funds	88,402
Prepaid expenses	(36,693)
Other current assets	(5,500)
(Increase) decrease in	
Compensated absences	1,096
Accounts payable	(59,350)
Accrued liabilities	<u>3,436</u>
Total adjustments	<u>(175,156)</u>
Net cash used in operating activities	<u><u>\$ (2,133,817)</u></u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

<u>Agency Funds</u>	
Assets	
Cash and cash equivalents	\$ <u>656,719</u>
Total Assets	\$ <u>656,719</u>
Liabilities	
Due to individuals	\$ 245,595
Due to other funds	44,832
Due to other governments	<u>366,292</u>
Total Liabilities	\$ <u>656,719</u>

See accompanying notes to the basic financial statements

FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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, 2015

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, 2015

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 position.

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, 2015**

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 position.

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, 2015

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, 2015**

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 position.

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 Inflows

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

FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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. Commitments may be altered or removed only by formal action of 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.

When both restricted and unrestricted amounts are available the County spends the restricted amounts first, unless prohibited by law, grant agreements or other contractual arrangement, further, when committed fund balance is available the County will use it first, followed by assigned fund balance and then unassigned fund balance for purposes in which any of the unrestricted fund balance classifications could be used.

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, 2015 was 5.9637 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.

FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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 evaluated subsequent events through June 27, 2016, the date which the financial statements were available to be issued.

FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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 position:

The governmental fund balance sheet includes reconciliation between *fund balances – total governmental funds* and *net position of governmental activities* as reported in the government-wide statement of net position. 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:

Loans payable	\$ 1,045,826
Compensated absences	545,548
Net OPEB obligation	13,539,694
Landfill closing costs	<u>2,716,814</u>
Net adjustment to reduce fund balances – total governmental funds to arrive at net position of governmental activities	<u>\$ 17,847,882</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	\$ 152,034,687
Less: accumulated depreciation	<u>(63,045,591)</u>
Net adjustment to increase fund balances – total governmental funds to arrive at net position of governmental activities	<u>\$ 88,989,096</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>\$ 784,801</u>
Net adjustment to increase fund balances – total governmental funds to arrive at net position of governmental activities	<u>\$ 784,801</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	\$ (47,618)
Change in deferred revenue	(320,968)
Change in OPEB liability	(1,524,089)
Landfill costs	<u>(145,182)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position of governmental activities	<u>\$ (2,037,857)</u>

FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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, 2015.

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.

FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 3 –CASH AND INVESTMENTS (continued)

Interest Rate Risks

At September 30, 2015, the County did not hold any investments other than those disclosed below that were considered to be an interest rate risk.

Custodial Risks

At September 30, 2015, the County held deposits or investments that were considered to be a custodial risk. See below.

Concentration of Credit Risk

At September 30, 2015, the County did not hold any investments that were considered to be a concentration of credit risk.

At September 30, 2015, 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)	\$17,914,838	\$ —	\$ —	\$17,914,838
Local Government Surplus Trust Fund Pool		<u>2,485,043</u>	<u>—</u>	<u>—</u>	<u>2,485,043</u>
Total		<u>\$20,399,881</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$20,399,881</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 is considered a SEC 2a7-like fund and the account balance is the fair value of the investment.

Credit quality disclosure – Florida PRIME is rated by Standard and Poor's. The current rating is AAAM.

Interest rate risk – The weighted average days to maturity of the Florida PRIME at September 30, 2015 was 28 days.

FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 4 –ACCOUNTS RECEIVABLE AND NOTES RECEIVABLE

Accounts receivables at September 30, 2015, consisted of the following:

Governmental Activities - Accounts/Notes Receivable	General	State Housing Initiative Partnership	CDBG	Other Governmental Funds	Total
Accounts receivable	\$ 168,812	\$ —	\$ —	\$ 62,524	\$ 231,336
Notes receivable	—	386,572	327,900	—	714,472
(Allowance for doubtful accounts)	—	—	—	—	—
Accounts receivable, net	<u>\$ 168,812</u>	<u>\$ 386,572</u>	<u>\$ 327,900</u>	<u>\$ 62,524</u>	<u>\$ 945,808</u>
Business-type Activities - Accounts Receivable	<u>Hospital</u>				
Accounts receivable	\$ 3,575,935				
(Allowance for doubtful accounts)	<u>(1,858,943)</u>				
Accounts receivable, net	<u>\$ 1,716,992</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, 2015.

Internal balances at September 30, 2015, consist of the following:

Fund	Interfund Receivables	Interfund Payables
General	\$ 390,181	\$ 129,533
Special revenue		
County road and bridge	12,512	—
Fire protection	—	25,113
911 Trust	—	19,692
Landfill	56	—
Mosquito control	—	1,011
Law enforcement educational trust	265	—
Hospital trust	—	173,763
Tourist development	—	197,802
Airport	—	58,970
Clerk's fine and forfeitures	21,126	1,595
Clerk's modernization trust	9,576	—
Total special revenue	<u>43,535</u>	<u>477,946</u>
Enterprise - Hospital	173,763	—
Total	<u>\$ 607,479</u>	<u>\$ 607,479</u>

FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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	\$ 199,875	Purchase of equipment, and other allowable expenditures
Nonmajor governmental funds	General	251,943	To record the budgeted transfers from the landfill fund and tourist development
Hospital trust	Hospital	1,116,898	Transfer of ½ cent sales tax
General	Hospital	492,083	Transfer for operation of hospital
Total		<u>\$ 2,060,799</u>	

NOTE 6 –CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended September 30, 2015, is as follows:

	<u>September 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2015</u>
Capital assets not being depreciated:				
Land	\$ 4,573,842	\$ 724,440	\$ —	\$ 5,298,282
Construction in progress	—	116,758	108,628	8,130
Total capital assets, not being depreciated	<u>4,573,842</u>	<u>841,198</u>	<u>108,628</u>	<u>5,306,412</u>
Capital assets being depreciated:				
Buildings	12,804,712	1,075,445	—	13,880,157
Improvements other than buildings	12,007,122	157,043	—	12,164,165
Machinery and equipment	14,696,294	755,444	905,129	14,546,609
Infrastructure	<u>105,713,658</u>	<u>423,686</u>	<u>—</u>	<u>106,137,344</u>
Total capital assets being depreciated	<u>145,221,786</u>	<u>2,411,618</u>	<u>905,129</u>	<u>146,728,275</u>
Accumulated depreciation:				
Buildings	4,870,013	264,465	—	5,134,478
Improvements other than buildings	3,274,032	296,696	—	3,570,728
Machinery and equipment	13,539,576	825,909	707,623	13,657,862
Infrastructure	<u>38,269,253</u>	<u>2,413,270</u>	<u>—</u>	<u>40,682,523</u>
Total accumulated depreciation	<u>59,952,874</u>	<u>3,800,340</u>	<u>707,623</u>	<u>63,045,591</u>
Total capital assets being depreciated, net	<u>85,268,912</u>	<u>(1,388,722)</u>	<u>197,506</u>	<u>83,682,684</u>
Total governmental-type activities', capital assets, (net of accumulated depreciation)	<u>\$ 89,842,754</u>	<u>\$ (547,524)</u>	<u>\$ 306,134</u>	<u>\$ 88,989,096</u>

FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 6 – CAPITAL ASSETS (continued)

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

General Government	\$ 191,608
Court related	36,817
Public safety	420,264
Physical environment	155,561
Transportation	2,724,271
Economic environment	2,583
Human services	76,025
Culture and recreation	<u>193,211</u>

Total depreciation expense – governmental activities **\$ 3,800,340**

Capital asset activity for the business-type activities for the year ended September 30, 2015, is as follows:

	<u>September 30,</u> <u>2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30,</u> <u>2015</u>
Capital assets not being depreciated:				
Land	\$ 810,377	\$ —	\$ (315,492)	\$ 494,885
Construction in progress	<u>13,400</u>	<u>—</u>	<u>—</u>	<u>13,400</u>
Total capital assets, not being depreciated	<u>823,777</u>	<u>—</u>	<u>(315,492)</u>	<u>508,285</u>
Capital assets being depreciated:				
Buildings	1,594,815	—	—	1,594,815
Equipment and furniture	<u>1,940,621</u>	<u>182,966</u>	<u>—</u>	<u>2,123,587</u>
Total capital assets being depreciated	<u>3,535,436</u>	<u>182,966</u>	<u>—</u>	<u>3,718,402</u>
Less accumulated depreciation	<u>1,559,540</u>	<u>210,867</u>	<u>—</u>	<u>1,770,407</u>
Total capital assets being depreciated, net	<u>1,975,896</u>	<u>(27,901)</u>	<u>—</u>	<u>1,947,995</u>
Total business-type activities', capital				
assets, (net of accumulated depreciation)	<u>\$ 2,799,673</u>	<u>\$ (27,901)</u>	<u>\$ (315,492)</u>	<u>\$ 2,456,280</u>

Depreciation expense charged to business-type activities for the year ended September 30, 2015 is \$210,867.

FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 7 –LONG-TERM DEBT

Long-term debt of the County's governmental activities for the year ended September 30, 2015, is as follows:

Notes Payable	Balance September 30, 2014	Additions	Deductions	Balance September 30, 2015	Due Within One Year
Loan to purchase Lombardi property, payable in monthly payments of \$6,333 including interest at 3.89% maturing April 2028	798,132	—	45,339	752,793	47,079
Loan to purchase John Deere Loader, payable in annual payments of \$28,880 including interest at 2.29%, maturing August 2019.	134,894	—	21,423	113,471	26,355
Loan to purchase Ring Power - Caterpillar M313D Excavator lease payable in annual payments of \$48,168 including interest at 2.9%, maturing September 2019.	—	179,562	—	179,562	42,961
Long-term landfill closure and postclosure liability, see note 12	2,571,632	145,182	—	2,716,814	—
Liability for postemployment benefits	12,015,605	1,524,089	—	13,539,694	—
Liability for compensated absences	593,166	—	47,618	545,548	—
Total	<u>\$16,113,429</u>	<u>\$ 1,848,833</u>	<u>\$ 114,380</u>	<u>\$17,847,882</u>	<u>\$ 116,395</u>

Maturities of Long-Term Debt

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

Amount due during Year ending September 30,	Note Payable/ Lombardi Property			Amount due during Year ending September 30,	Capital Lease Payments
	Principle	Interest	Total		
2016	\$ 73,434	\$ 30,980	\$ 104,414	2016	\$ 48,168
2017	76,015	28,511	104,527	2017	48,168
2018	78,609	26,033	104,642	2018	48,168
2019	81,297	23,463	104,760	2019	48,268
2020	53,143	20,857	76,000	Total minimum lease payments	192,772
2021-2025	311,049	68,952	380,001	Less: interest	(13,210)
2026-2028	186,381	9,955	196,335	Present value of net minimum lease	<u>\$ 179,562</u>
Total	<u>\$ 861,928</u>	<u>\$ 208,752</u>	<u>\$ 1,070,680</u>		

FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 7 –LONG-TERM DEBT

Noncurrent liabilities of the Hospital for the year ended September 30, 2015, were as follows:

	<u>Balance September 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2015</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 August 2015.	\$ 32,141	\$ —	\$ (32,141)	\$ —	\$ —
Office of Tourism, Trade, and Economic Development – Loan #2 payable in quarterly payments of \$10,714 plus interest at 3%. Matures in May 2015.	42,859	—	(42,859)	—	—
Athena Lease – payable in monthly payments of \$8,000 including interest at 2.309% for 60 months Matures September 2020.	—	452,917	—	452,917	86,453
Med One Capital Funding, LLC Pharmacy dispenser lease payable in monthly payments of \$2,316 including interest at 0%.	78,729	—	(34,730)	43,999	27,787
Dell Computer Leasing – payable \$271 monthly including interest at 9.5%. Matures March 2017.	3,170	—	(3,170)	—	—
Liability for compensated absences	<u>139,492</u>	<u>1,370</u>	<u>—</u>	<u>140,862</u>	<u>28,172</u>
Total	<u>\$ 296,391</u>	<u>\$ 454,287</u>	<u>\$ (112,900)</u>	<u>\$ 637,778</u>	<u>\$ 142,412</u>

Future debt service requirements on noncurrent liabilities are summarized below:

<u>Year Ending September 30,</u>	<u>Pharmacy Dispenser</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 27,787	\$ —	\$ 27,787
2017	<u>16,212</u>	<u>—</u>	<u>16,212</u>
Total	<u>\$ 43,999</u>	<u>\$ —</u>	<u>\$ 43,999</u>

FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 7 –LONG-TERM DEBT (continued)

Year Ending September 30,	Athena Lease		
	Principal	Interest	Total
2016	\$ 86,453	\$ 9,547	\$ 96,000
2017	88,470	7,530	96,000
2018	90,535	5,465	96,000
2019	92,648	3,352	96,000
2020	94,810	1,190	96,000
Total	<u>\$ 452,917</u>	<u>\$ 27,083</u>	<u>\$ 480,000</u>

The carrying value of the equipment under capital lease net of accumulated depreciation was \$559,123 as of September 30, 2015.

NOTE 8 – EMPLOYEE BENEFITS

A. Florida Retirement System

Plan Description – The County contributes to the Florida Retirement System (the FRS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida, Department of Administration, Division of Retirement. The FRS provides retirement, disability or death benefits to retirees or their designated beneficiaries along with an annual cost-of-living adjustment. Employees are classified in either the regular service class or the senior management service class. Currently, the active participants for Franklin County are 173 out of total of 512,909 active FRS participants.

The Florida Legislature created the Florida Retirement Investment Plan (the “investment Plan”), a defined contribution plan qualified under Section 401 (a) of the Internal Revenue Code. The Investment Plan is administered by the Department of Management Services and is an alternative available to members of the Florida Retirement System in lieu of participation in the defined benefit retirement plan (“the Pension Plan”). If the Investment Plan is elected, active membership in the Pension Plan is terminated. Eligible members of the Investment Plan are vested at one year of service and receive a contribution in an investment product with a third party administrator selected by the State Board of Administration.

Chapter 121, *Florida Statutes*, establishes the authority for benefit provisions and contribution requirements. Changes to the law can only occur through an act of the Florida Legislature. There are uniform contribution rates as discussed on the following page that cover both the defined benefit and defined contribution plans. Information for the required employer contributions made to the Investment Plan were unavailable from FRS.

Additional Financial and Actuarial Information – Additional audited financial information supporting the Schedules of Employer Allocations and the Schedule of Pension Amounts by Employer is located in the Florida Comprehensive Annual Financial Report (CAFR) and in the Florida Retirement System Pension Plan, and Other State-Administered Systems CAFR.

See <http://www.myfloridacfo.com/Division/AA/Reports/default.htm> for an available copy of the Florida CAFR online.

FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8 – EMPLOYEE BENEFITS (continued)

The FRS CAFR and actuarial valuation reports as of July 1, 2015 are available online at http://www.dms.myflorida.com/workforce_operations/retirement/publications/annual_reports.

Reports may also be obtained by contacting the Division of Retirement at:

Department of Management Services
Division of Retirement
Bureau of Research and Member Communications
P O Box 9000
Tallahassee, Florida 32315-9000
850-488-4706 or toll free at 877-377-1737

Funding Policy – Prior to July 1, 2011, the FRS was employee noncontributory. Beginning July 1, 2011, employees who are not participating in the Deferred Retirement Option Plan (DROP) are required to contribute 3% of their salary to the FRS. The County is required to contribute at an actuarially-determined rate.

The FRS relies upon contributions from employees and employers, along with investment income, to meet the funding requirements of an actuarially determined accrued liability. As of July 1, 2015, the date of the latest valuation, the FRS funded ratio was 86.50% on the valuation funding basis and 89.70% on a Market Value of Assets basis.

The County also participates in the Retiree Health Insurance Subsidy (HIS) Program, a cost sharing, multiple-employer defined benefit pension plan established under Section 112.363, *Florida Statutes*. The benefit is a monthly cash payment to assist retirees of state-administered retirement systems in paying their health insurance costs.

In addition to the above benefits, the FRS administers a Deferred Retirement Option Program (“DROP”). This program allows eligible employees to defer receipt of monthly retirement benefit payments while continuing employment with a Florida Retirement System employer for a period not to exceed 60 months after electing to participate. DROP benefits are held in the FRS Trust Fund and accrue interest.

The HIS Program is funded by required contributions from FRS participating employers as set by the State Legislature. Employer contributions are a percentage of gross compensation for all active FRS employees and are reported by employers with monthly payroll reports and included with the amount submitted for retirement contributions. For the fiscal year ended September 30, 2015, the contribution rate was 1.66% of payroll pursuant to Section 112.363, *Florida Statutes*.

The contributions required for the years ended September 30, 2015, 2014, and 2013 were \$1,178,141, \$915,728, and \$620,905, respectively, which is equal to 100% of the required contribution for each year.

FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8 – EMPLOYEE BENEFITS (continued)

The rates for 2015 and 2014 fiscal years were as follows:

Membership		Vesting	Employer Contribution Rate	
			July 1, 2014	July 1, 2015
Category	Benefits			
Regular Class	For employees in the FRS as of June 30, 2011, normal retirement at age 62 or at least 30 years of service: 1.60% times average compensation (five highest years) times years of creditable service.	After six years creditable service.	7.37%	7.26%
Senior Management Class	For employees joining the FRS on or after July 1, 2011, normal retirement at age 65, or at least 33 years of service: 1.6% times average compensation (eight highest years) times years of creditable service.	After eight years creditable service.		
Special Risk (sworn employees)	For employees in the FRS as of June 30, 2011, normal retirement at age 55, or 25 years of special risk service: 2% to 3% times average compensation (five highest years) times years of creditable service.	After six years of creditable service.	21.14%	21.43%
Elected County Officers' Class (ESCOC) - Nonjudicial	For employees in the FRS as of June 30, 2011, normal retirement at eight years ESCOC service and age 62: 3.00% times average compensation (five highest years) times years of creditable service.	After six years of creditable service.	43.24%	42.27%
	For employees joining the FRS on or after July 1, 2011, normal retirement at age 65, or at least 33 years of service: 3.00% times average compensation (eight highest years) times years of creditable service.	After eight years creditable service.		

FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8 - EMPLOYEE BENEFITS (continued)

Membership Category	Benefits	Vesting	Employer Contribution Rate	
			<u>July 1, 2014</u>	<u>July 1, 2015</u>
Deferred Retirement Option Program (DROP)	For employees in DROP as of June 30, 2011 retirement benefit paid to DROP where it earns 6.5% interest, tax deferred, for up to five years while the member continues to work.	Available to vested members at normal retirement age or date.	12.28%	12.88%
	For employees entered in DROP on or after July 1, 2011, retirement benefit paid to DROP where it earns 1.3% interest, tax deferred, for up to five years while the member continues to work.			

Net Pension Liability – At September 30, 2015, the County reported for its share of the FRS and HIS plans the amount for the net pension liability as shown below:

	<u>FRS</u>	<u>HIS</u>	<u>Total</u>
June 30, 2015	\$4,566,989	\$2,168,073	\$6,735,062
June 30, 2014	\$2,121,042	\$2,000,084	\$4,121,126

The net pension liability for each plan was determined by the plans' actuary and reported in the plans' valuations dated July 1, 2015 and July 1, 2014 for the net pension liability as of June 30, 2015 and 2014, respectively.

At September 30, 2015, the County reported for its proportionate share of the employer portion for the FRS and HIS net pension liability the percentages below:

	<u>FRS</u>	<u>HIS</u>
June 30, 2015	0.035358225%	0.021258895%
June 30, 2014	0.034762801%	0.021390714%
Increase in Share for 2015	0.000595423%	(0.000131819)%

The County's proportionate share of the net pension liability was based on the County's 2014-2015 fiscal year contributions relative to the 2013-2014 fiscal year contributions of all participating members of FRS.

FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8 - EMPLOYEE BENEFITS (continued)

Actuarial Methods and Assumptions – Actuarial Assumptions for both defined benefit plans are reviewed by the Florida Retirement System Actuarial Assumptions Conference on an annual basis. The FRS Pension Plan has an annual valuation in accordance with 121.031(3), Florida Statutes while the Health Insurance Subsidy HIS program is valued biennially and updated for GASB reporting in the year a valuation is not performed. An experience study for the FRS Pension Plan was completed in 2014 for the period July 1, 2008 through June 30, 2013. The HIS program is funded on a pay as you go basis and so no experience study has been completed for this program.

The total pension liability for each of the defined plans determined by an actuarial valuation as of July 1, 2015, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth for both plans is assumed at 3.25%. Both the discount rate and the long term expected rate of return used for the FRS Pension Plan investments is 7.65%.

The plan's fiduciary net position was projected as available for all projected future benefit payments of current active and inactive employees. The discount rate for calculating the total pension liability is equal to the long term expected rate of return. For the HIS program, a municipal bond rate of 3.80% was used to determine the total pension liability. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB Tables.

The actuarial assumptions that determined the total pension liability as of June 30, 2014 were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2013 and are shown below:

Valuation Date	July 1, 2014	July 1, 2015
Measurement Date	June 30, 2014	June 30, 2015
Payroll Growth	1.00%	0.65%
Inflation	3.00%	2.60%
Salary Increases Including Inflation	4.00 %	3.25%
Rate of Return	7.75%	7.65%
HIS Municipal	4.29%	3.80%
Mortality	Generational RP-2000 with Projection Scale AA	Generational RP-2000 with Projection Scale BB
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8 - EMPLOYEE BENEFITS (continued)

Investments – To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2015 the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by Milliman’s capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting. The table below shows Milliman’s assumptions for each asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy’s description of each class was used to map the target allocation to the classes shown below. Each assumption is based on a consistent set of underlying assumptions, and includes an adjustment for inflation. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.00%	3.20%	3.10%	1.70%
Fixed Income	18.00%	4.80%	4.70%	4.70%
Global Equity	53.00%	8.50%	7.20%	17.70%
Real Estate (Property)	10.00%	6.80%	6.20%	12.00%
Private Equity	6.00%	11.90%	8.20%	30.00%
Strategic Investments	<u>12.00%</u>	<u>6.70%</u>	<u>6.10%</u>	<u>11.40%</u>
Total	<u>100.00%</u>			
Assumed Inflation – Mean		2.60%		1.90%

(1) As in the Pension Plan’s investment policy

Sensitivity Analysis – the tables below represent the sensitivity of the net pension liability to changes in the discount rate for Franklin County. The sensitivity analysis shows the impact to the collective net pension liability of the participating employers if the discount rate shows as 1.00% higher or 1.00% lower than the current discounted rate at June 30, 2015.

<u>FRS Net Pension Liability</u>		
<u>1% Decrease 6.65%</u>	<u>Current Discount Rate 7.65%</u>	<u>1% Increase 8.65%</u>
<u>\$11,834,101</u>	<u>\$ 4,566,989</u>	<u>\$ (1,480,442)</u>

FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8 - EMPLOYEE BENEFITS (continued)

HIS Net Pension Liability		
1% Decrease 2.80%	Current Discount Rate 3.80%	1% Increase 4.80%
<u>\$ 2,470,418</u>	<u>\$ 2,168,073</u>	<u>\$ 1,915,962</u>

Pension Expense and Deferred Outflows (Inflows) of Resources – In accordance with GASB 68, paragraph 71, changes in the net pension liability are recognized as pension expense in the current measurement period with the following exceptions shown below. For each of the following, a portion is recognized in pension expense in the current measurement period, and the balance is amortized as deferred outflows or inflows of resources using rational method over a time period, as defined below:

- Differences between expected and actual experience with regard to economic and demographic factors which are amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan, both active and inactive.
- Changes of Assumptions or other inputs which are amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan, both active and inactive.
- Differences between expected and actual earnings on pension plan investments are amortized over five years.

The average expected remaining service life of all employees provided with pensions through the pension plans at June 30, 2015 was 6.3 years for FRS and 7.2 for HIS. The components of collective pension expense reported in the pension allocation schedules for the year ended June 30, 2015 are presented for each plan.

FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8 - EMPLOYEE BENEFITS (continued)

Florida Retirement System

The Components of the collective pension expense reported in the pension allocation schedules by the Florida Retirement System for the year ended June 30, 2015 are presented below and are used to calculate Franklin County's share of the pension plan for 2015 which is 0.035358225%.

	Total	Expense	Deferred Outflows	Deferred (Inflows)	Amortization Period
Beginning Net Pension Liability at June 30, 2014	\$ 6,101,470,575				
Service Cost	2,114,046,879	2,114,046,879			
Interest on Total Pension Liability	11,721,563,262	11,721,563,262			
Experience	1,620,863,000	186,038,844	1,363,583,159	(306,336,286)	6.3 Years
Assumptions		199,372,297	857,300,876		6.3 Years
Employer Contributions	(2,438,084,925)				
Projected Investment Earnings	(11,210,153,877)	(11,210,153,877)			
Member Contributions	(698,304,112)	(698,304,112)	918,043,103	(918,043,103)	
(Gain) Loss on Investments	5,686,866,405	(1,407,193,138)		(3,084,206,132)	5.0 Years
Administrative Expense	18,073,979	18,073,979			
Net Pension Liability at June 30, 2015	\$12,916,341,186	\$ 923,444,134	\$3,138,927,138	\$(4,308,585,521)	

FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8 - EMPLOYEE BENEFITS (continued)

For the fiscal year ended September 30, 2015, the County recognized pension expense of \$326,513 for the FRS plan. In addition the County reported deferred outflows of resources and deferred inflows of resources relate to pensions from the following sources:

Description	Deferred Outflows of Resources for the FRS Plan	Deferred Inflows of Resources for the FRS Plan
Differences between expected and actual experience	\$ 482,139	\$ (108,315)
Change of assumptions	303,126	—
Net difference between projected and actual earnings on FRS Plan investments	1,608,620	(2,699,141)
Changes in proportion and differences between County FRS Plan contributions and proportionate share of contributions	870,899	(463,434)
County FRS Plan contributions subsequent to the measurement date	—	—
Total	<u>\$ 3,264,784</u>	<u>\$ (3,270,890)</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Reporting Period Ending June 30	FRS Expense
2016	\$ (361,284)
2017	(361,284)
2018	(361,284)
2019	538,430
2020	104,561
Thereafter	27,291

FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8 - EMPLOYEE BENEFITS (continued)

Health Insurance Subsidy

The components of the collective pension expense reported in the pension allocation schedules for the Florida Retirement System's Health Insurance Subsidy for the year ended June 30, 2015 are presented below and are used for to calculate Franklin County's share for 2015 which is 0.021258895%.

	Total	Expense	Deferred Outflows	Deferred (Inflows)	Amortization Period
Beginning Net Pension Liability at June 30, 2014	\$ 9,350,244,011				
Service Cost	217,518,873	217,518,873			
Interest on Total Pension Liability	405,440,918	405,440,918			
Experience	607,698,044	138,066,828			
Assumptions			802,350,014		7.2 Years
Employer Contributions	(382,262,242)				
Projected Investment Earnings	(3,093,329)	(3,093,329)			
(Gain) Loss on Investments	2,693,028	1,660,696	5,520,694		5.0 Years
Administrative Expense	187,672	187,672			
Net Pension Liability at June 30, 2015	\$10,198,426,975	\$759,781,658	\$ 807,870,708		

FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8 - EMPLOYEE BENEFITS (continued)

For the fiscal year ended September 30, 2015, the County recognized pension expense of \$161,521 for the HIS plan. In addition the County reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources for the HIS Plan	Deferred Inflows of Resources for the HIS Plan
Differences between expected and actual experience	\$ 170,571	\$ —
Change of assumptions	—	—
Net difference between projected and actual earnings on HIS Plan investments	1,174	—
Changes in proportion and differences between County HIS Plan contributions and proportionate share of contributions	21,658	(61,735)
County HIS Plan contributions subsequent to the measurement date	—	—
Total	<u>\$ 193,403</u>	<u>\$ (61,735)</u>

Other amounts reported by the County as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Reporting Period Ending June 30	FRS Expense
2016	\$ 29,705
2017	29,705
2018	29,705
2019	29,466
2020	29,351
Thereafter	23,813

FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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.

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 \$175,473 toward the annual OPEB cost. A Schedule of Employer Contributions can be found in required supplementary information immediately following the notes.

FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Annual OPEB Cost and Net OPEB Obligation

The following table shows the County's annual OPEB cost for the year 2015, 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)	\$ 999,667
Amortization of unfunded actuarial accrued liability	<u>1,299,968</u>
Annual required contribution	2,299,635
Interest on net OPEB obligation	480,624
Adjustment to annual required contribution	<u>(1,080,697)</u>
Annual OPEB cost (expense)	1,699,562
Contribution toward the OPEB cost	<u>(175,473)</u>
Increase in net OPEB obligation	1,524,089
Net OPEB obligation, beginning of year	<u>12,015,605</u>
Net OPEB obligation, end of year	<u><u>\$ 13,539,694</u></u>

Estimated Net OPEB obligation for the fiscal year ending September 30, 2015 was calculated by the County's previous actuary and disclosed in the County's Annual Financial Statement.

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, 2015 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>
2013	\$ 1,813,910	5%	\$ 10,289,709
2014	1,813,910	5%	12,015,605
2015	1,699,562	10%	13,539,694

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.

FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

Actuarial Methods and Assumptions

The County had an actuarial valuation completed for the fiscal year ended September 30, 2015. 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).

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, 2015 is 15 years.

FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 10 – FUND BALANCE

Fund balance consisted of the following amounts as of September 30, 2015:

<u>Fund Balances</u>	<u>Amount</u>
Nonspendable:	
General fund – prepaid expenses	\$ 3,243
911 trust fund	<u>11,682</u>
Total Nonspendable Fund Balance	<u>14,925</u>
Restricted:	
911 trust fund	378,823
Airport	54,746
Bald point trust	441,045
Boating improvement fund	83,450
Clerk’s modernization trust	157,877
Economic development fund	281,394
Hospital trust	2,651,378
Landfill	830,353
Law enforcement education trust	78,475
Law enforcement trust	3,165
Local option gas tax	2,217,747
Neighborhood CDBG	9,560
Pier	530,882
State housing initiatives partnership	57,480
Sheriff’s special revenue funds	25,380
Tourist development fund	<u>1,042,970</u>
Total Restricted Fund Balance	<u>8,844,725</u>
Assigned:	
Capital projects	130,542
County road and bridge fund	843,276
Landfill	310,879
Library	85,652
Mosquito control fund	43,326
Pier	468,359
Sheriff’s special revenue funds	<u>55,059</u>
Total Assigned Fund Balance	<u>1,937,093</u>
Total Unassigned Fund Balance	<u>10,221,602</u>
Total fund Balance	<u>\$ 21,018,345</u>

FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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 \$902,082 at September 30, 2015. 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 \$2,716,814 amount reported as landfills closure and postclosure care liability at September 30, 2015 (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 \$1,979,454 for closure and \$4,295,330 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, 2015

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 with exception of a possible action occurring subsequent to year end. The amount of any potential loss has not yet been determined.

NOTE 14 – LEASE OF FRANKLIN COUNTY AIRPORT

On November 1, 2012, the County entered into a 60 month contract with rent at \$5,000 per month plus tax. On July 7, 2015 the rent was increased to \$3,500 per month plus no percentage on fuel sales.

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.

NOTE 16 – ACCOUNTING CHANGES AND ACCOUNTING STANDARDS

In fiscal year 9/30/15 the County implemented Governmental Accounting Standards Board (GASB) Statement No. 68 "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*". The objective is to improve accounting and financial reporting by State and local governments for pensions.

The implementation of Standard 68 resulted in the reclassification of the beginning net position of the governmental activities in the government-wide financial statements and resulted in the adjustment below:

	<u>Governmental</u>
Net position at September 30, 2014	\$ 94,614,542
Change in reporting for pensions	<u>(6,037,538)</u>
Net position at September 30, 2014, restated	<u>\$ 88,577,004</u>

The business-type activity had no change due to no employees with retirement benefits.

REQUIRED SUPPLEMENTARY INFORMATION

**FRANKLIN COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2015**

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

Actuarial Valuation Date As of Oct 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
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%
2012	—	\$ 8,563,813	\$ 8,563,813	0.0%	\$6,166,861	139%
2013	—	\$10,289,709	\$10,289,709	0.0%	\$6,162,860	167%
2014	—	\$12,015,605	\$12,015,605	0.0%	\$6,413,240	187%
2015	—	\$14,453,541	\$14,453,541	0.0%	\$6,543,012	221%

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

Fiscal Year Ended September 30,	Actual Contribution	Annual Required Contribution	Percentage Contributed
2009	\$ 311,000	\$ 4,547,000	7%
2010	\$ 311,000	\$ 4,818,000	7%
2011	\$ 311,000	\$ 4,818,000	7%
2012	\$ 88,014	\$ 1,813,910	5%
2013	\$ 88,014	\$ 1,813,910	5%
2014	\$ 88,014	\$ 1,813,910	5%
2015	\$ 175,473	\$ 1,699,562	10%

FRANKLIN COUNTY, FLORIDA
PROPORTIONATE SHARE OF NET PENSION LIABILITY
Last Ten Years*
SEPTEMBER 30, 2015

	<u>2015</u>
Franklin County's proportion of the net pension liability	0.052143729%
Franklin County's proportionate share of the net pension liability	\$ 6,735,062
Franklin County's covered-employee payroll	\$ 6,373,330
Franklin County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	105.68%
Plan fiduciary net position as a percentage of the total pension liability	92.00%

* The amounts presented for each fiscal year were determined as of 6/30 except for the covered payroll determined as of 9/30. The schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

FRANKLIN COUNTY, FLORIDA
SCHEDULE OF PENSION CONTRIBUTIONS
Last Ten Fiscal Years*
SEPTEMBER 30, 2015

	<u>2015</u>
Contractually required contribution	\$ 1,178,141
Contributions in relation to the contractually required contribution	<u>(1,178,141)</u>
Contribution deficiency (excess)	<u>\$ —</u>
Franklin County's covered-employee payroll	\$ 6,373,330
Contribution as a percentage of covered-employee payroll	18.49%

* The amounts presented for each fiscal year were determined as of 6/30 except for the covered payroll determined as of 9/30. The schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

COMBINING FINANCIAL STATEMENTS

**FRANKLIN COUNTY, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015**

	Special Revenue				
	County Road and Bridge	911 Trust	Landfill	Fire Protection	Airport
Assets					
Cash and cash equivalents	\$ 58,466	\$ 375,712	\$ 429,435	\$ 92,221	\$ 2,090
Equity in pooled cash	542,127	—	712,727	—	—
Due from other funds	12,512	—	56	—	—
Due from other government units	233,826	34,230	—	—	94,734
Prepaid expenses	—	11,682	—	—	—
Accounts receivable (net)	<u>6,990</u>	<u>255</u>	<u>12,531</u>	<u>4,239</u>	<u>37,192</u>
Total Assets	<u>\$ 853,921</u>	<u>\$ 421,879</u>	<u>\$ 1,154,749</u>	<u>\$ 96,460</u>	<u>\$ 134,016</u>
Liabilities Deferred Inflows and Fund Balances					
Liabilities					
Customer deposits	—	—	4,000	—	—
Vouchers payable	10,580	—	9,517	71,347	20,300
Due to other government units	65	—	—	—	—
Due to other funds	<u>—</u>	<u>19,692</u>	<u>—</u>	<u>25,113</u>	<u>58,970</u>
Total liabilities	<u>10,645</u>	<u>19,692</u>	<u>13,517</u>	<u>96,460</u>	<u>79,270</u>
Deferred Inflows					
Grant funds	<u>—</u>	<u>11,682</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Deferred Inflows	<u>—</u>	<u>11,682</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances					
Nonspendable	—	11,682	—	—	—
Restricted	—	378,823	830,353	—	54,746
Assigned	<u>843,276</u>	<u>—</u>	<u>310,879</u>	<u>—</u>	<u>—</u>
Total fund balances	<u>843,276</u>	<u>390,505</u>	<u>1,141,232</u>	<u>—</u>	<u>54,746</u>
Total liabilities Deferred Inflows and Fund balances	<u>\$ 853,921</u>	<u>\$ 421,879</u>	<u>\$ 1,154,749</u>	<u>\$ 96,460</u>	<u>\$ 134,016</u>

(Continued)

**FRANKLIN COUNTY, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Continued)
SEPTEMBER 30, 2015**

	Special Revenue				
	Tourist Development	Mosquito Control	Clerk's Fine and Forfeitures	Clerk Modernization Trust	Sheriff's Special Revenue
Assets					
Cash and cash equivalents	\$ 990,096	\$ 45,176	\$ 75,474	\$ 160,230	\$ 80,439
Equity in pooled cash	74,606	—	—	—	—
Due from other funds	—	—	21,126	9,576	—
Due from other government units	205,658	—	—	—	—
Prepaid expenses	6,147	—	—	—	—
Accounts receivable (net)	—	—	—	—	—
Total Assets	<u>\$ 1,276,507</u>	<u>\$ 45,176</u>	<u>\$ 96,600</u>	<u>\$ 169,806</u>	<u>\$ 80,439</u>
Liabilities Deferred Inflows and fund balances					
Liabilities					
Customer deposits	—	—	—	—	—
Vouchers payable	30,735	839	15,067	11,929	—
Due to other government units	5,000	—	79,938	—	—
Due to other funds	<u>197,802</u>	<u>1,011</u>	<u>1,595</u>	<u>—</u>	<u>—</u>
Total liabilities	<u>233,537</u>	<u>1,850</u>	<u>96,600</u>	<u>11,929</u>	<u>—</u>
Deferred Inflows					
Grant fund	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Deferred Inflows	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances					
Nonspendable	—	—	—	—	—
Restricted	1,042,970	—	—	157,877	25,380
Assigned	<u>—</u>	<u>43,326</u>	<u>—</u>	<u>—</u>	<u>55,059</u>
Total fund balances	<u>1,042,970</u>	<u>43,326</u>	<u>—</u>	<u>157,877</u>	<u>80,439</u>
Total liabilities Deferred Inflows and Fund balances	<u>\$ 1,276,507</u>	<u>\$ 45,176</u>	<u>\$ 96,600</u>	<u>\$ 169,806</u>	<u>\$ 80,439</u>

(Continued)

FRANKLIN COUNTY, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Continued)
SEPTEMBER 30, 2015

	Special Revenue					
	Law Enforcement Educational Trust	Law Enforcement Trust	Hospital Trust	Boating Improvement	Local Option Gas Tax	Total Nonmajor Governmental Funds
Assets						
Cash and cash equivalents	\$ 78,210	\$ 3,165	\$ 2,477,615	\$ 82,133	\$ 1,792,464	\$ 6,742,926
Equity in pooled cash	—	—	—	—	380,761	1,710,221
Due from other funds	265	—	—	—	—	43,535
Due from other government units	—	—	347,526	—	44,522	960,496
Prepaid expenses	—	—	—	—	—	17,829
Accounts receivable (net)	—	—	—	1,317	—	62,524
Total Assets	<u>\$ 78,475</u>	<u>\$ 3,165</u>	<u>\$ 2,825,141</u>	<u>\$ 83,450</u>	<u>\$ 2,217,747</u>	<u>\$ 9,537,531</u>
Liabilities Deferred Inflows and Fund Balances						
Liabilities						
Customer deposits	—	—	—	—	—	4,000
Vouchers payable	—	—	—	—	—	170,314
Due to other government units	—	—	—	—	—	85,003
Due to other funds	—	—	173,763	—	—	477,946
Total liabilities	<u>—</u>	<u>—</u>	<u>173,763</u>	<u>—</u>	<u>—</u>	<u>737,263</u>
Deferred Inflows						
Grant funds	—	—	—	—	—	11,682
Total Deferred Inflows	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>11,682</u>
Fund balances						
Nonspendable	—	—	—	—	—	11,682
Restricted	78,475	3,165	2,651,378	83,450	2,217,747	7,524,364
Assigned	—	—	—	—	—	1,252,540
Total fund balances	<u>78,475</u>	<u>3,165</u>	<u>2,651,378</u>	<u>83,450</u>	<u>2,217,747</u>	<u>8,788,586</u>
Total liabilities Deferred Inflows and Fund balances	<u>\$ 78,475</u>	<u>\$ 3,165</u>	<u>\$ 2,825,141</u>	<u>\$ 83,450</u>	<u>\$ 2,217,747</u>	<u>\$ 9,537,531</u>

FRANKLIN COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	Special Revenue				
	County Road and Bridge	911 Trust	Landfill	Fire Protection	Airport
Revenues					
Taxes	\$ 12,548	\$ —	\$ —	\$ —	\$ —
Licenses and permits	—	—	—	497,924	—
Intergovernmental	1,417,768	124,151	—	—	207,510
Fines and forfeitures	—	—	—	—	—
Charges for services	—	—	526,322	—	52,271
Investment earnings and other	<u>121,639</u>	<u>1,090</u>	<u>8,689</u>	<u>6,250</u>	<u>40</u>
Total Revenues	<u>\$ 1,551,955</u>	<u>\$ 125,241</u>	<u>\$ 535,011</u>	<u>\$ 504,174</u>	<u>\$ 259,821</u>
Expenditures					
Current					
General government	—	—	—	—	—
Public safety	—	64,498	—	504,174	—
Physical environment	—	—	370,437	—	—
Economic environment	—	—	—	—	—
Transportation	1,240,786	—	—	—	114,202
Court related	—	—	—	—	—
Human services	—	—	—	—	—
Capital outlay	352,492	11,031	—	—	155,408
Debt service	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>1,593,278</u>	<u>75,529</u>	<u>370,437</u>	<u>504,174</u>	<u>269,610</u>
Excess (deficit) of revenues over (under) expenditures	<u>(41,323)</u>	<u>49,712</u>	<u>164,574</u>	<u>—</u>	<u>(9,789)</u>
Other financing sources (uses)					
Transfers in	4,067	—	63,712	—	—
Transfers out	—	(51,231)	(138,712)	—	—
Proceeds from debt	<u>179,562</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing sources (uses)	<u>183,629</u>	<u>(51,231)</u>	<u>(75,000)</u>	<u>—</u>	<u>—</u>
Net change in fund balances	142,306	(1,519)	89,574	—	(9,789)
Fund balances - beginning	<u>700,970</u>	<u>392,024</u>	<u>1,051,658</u>	<u>—</u>	<u>64,535</u>
Fund balances - ending	<u>\$ 843,276</u>	<u>\$ 390,505</u>	<u>\$ 1,141,232</u>	<u>\$ —</u>	<u>\$ 54,746</u>

(Continued)

FRANKLIN COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Continued)
SEPTEMBER 30, 2015

	Special Revenue				
	Tourist Development	Mosquito Control	Clerk's Fine and Forfeitures	Clerk Modernization Trust	Sheriff's Special Revenue
Revenues					
Taxes	\$ 1,123,104	\$ —	\$ —	\$ —	\$ —
Licenses and permits	—	—	—	—	—
Intergovernmental	—	31,540	611,692	—	—
Fines and forfeitures	—	—	—	—	18,127
Charges for services	—	—	—	51,726	43,456
Investment earnings and other	<u>479</u>	<u>225</u>	<u>155</u>	<u>263</u>	<u>—</u>
Total Revenues	<u>\$ 1,123,583</u>	<u>\$ 31,765</u>	<u>\$ 611,847</u>	<u>\$ 51,989</u>	<u>\$ 61,583</u>
Expenditures					
Current					
General government	—	—	—	25,554	—
Public safety	—	—	—	—	52,064
Physical environment	—	—	—	—	—
Economic Environment	615,723	—	—	—	—
Transportation	—	—	—	—	—
Court related	—	—	611,847	52,864	—
Human services	—	156,489	—	—	—
Capital outlay	242,802	8,945	—	—	—
Debt service	<u>76,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>934,525</u>	<u>165,434</u>	<u>611,847</u>	<u>78,418</u>	<u>52,064</u>
Excess (deficit) of revenues over (under) expenditures	<u>189,058</u>	<u>(133,669)</u>	<u>—</u>	<u>(26,429)</u>	<u>9,519</u>
Other financing sources (uses)					
Transfers in	—	132,096	—	—	—
Transfers out	(62,000)	—	—	—	—
Proceeds from debt	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing sources (uses)	<u>(62,000)</u>	<u>132,096</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balances	127,058	(1,573)	—	(26,429)	9,519
Fund balances - beginning	<u>915,912</u>	<u>44,899</u>	<u>—</u>	<u>184,306</u>	<u>70,920</u>
Fund balances - ending	<u>\$ 1,042,970</u>	<u>\$ 43,326</u>	<u>\$ —</u>	<u>\$ 157,877</u>	<u>\$ 80,439</u>

(Continued)

FRANKLIN COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	Special Revenue					Total Nonmajor Governmental Funds
	Law Enforcement Educational Trust	Law Enforcement Trust	Hospital Trust	Boating Improvement	Local Option Gas Tax	
Revenues						
Taxes	\$ —	—	\$ 1,928,777	\$ —	\$ 241,425	\$ 3,305,854
Licenses and permits	—	—	—	—	—	497,924
Intergovernmental	—	—	—	90,726	1,507,423	3,990,810
Fines and forfeitures	—	—	—	—	—	18,127
Charges for services	2,858	—	—	—	—	676,633
Investment earnings and other	75	3	942	62	1,558	141,470
Total Revenues	<u>\$ 2,933</u>	<u>\$ 3</u>	<u>\$ 1,929,719</u>	<u>\$ 90,788</u>	<u>\$ 1,750,406</u>	<u>\$ 8,630,818</u>
Expenditures						
Current						
General government	—	—	—	—	—	25,554
Public safety	—	—	—	—	—	620,736
Physical environment	—	—	—	—	—	370,437
Economic environment	—	—	—	—	—	615,723
Transportation	—	—	—	—	1,308,345	2,663,333
Court related	—	—	—	—	—	664,711
Human services	—	—	—	—	—	156,489
Capital outlay	—	—	—	99,345	281,226	1,151,249
Debt service	—	—	—	—	—	76,000
Total expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>99,345</u>	<u>1,589,571</u>	<u>6,344,232</u>
Excess (deficit) of revenues over (under) expenditures	<u>2,933</u>	<u>3</u>	<u>1,929,719</u>	<u>(8,557)</u>	<u>160,835</u>	<u>2,286,586</u>
Other financing sources (uses)						
Transfers in	—	—	—	—	—	199,875
Transfers out	—	—	(1,116,898)	—	—	(1,368,841)
Proceeds from debt	—	—	—	—	—	179,562
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>(1,116,898)</u>	<u>—</u>	<u>—</u>	<u>(989,404)</u>
Net change in fund balances	2,933	3	812,821	(8,557)	160,835	1,297,182
Fund balances - beginning	<u>75,542</u>	<u>3,162</u>	<u>1,838,557</u>	<u>92,007</u>	<u>2,056,912</u>	<u>7,491,404</u>
Fund balances - ending	<u>\$ 78,475</u>	<u>\$ 3,165</u>	<u>\$ 2,651,378</u>	<u>\$ 83,450</u>	<u>\$ 2,217,747</u>	<u>\$ 8,788,586</u>

**FRANKLIN COUNTY, FLORIDA
COMBINING BALANCE SHEET
AGENCY FUNDS
SEPTEMBER 30, 2015**

	Agency Funds Clerk		
	<u>Trust Funds</u>	<u>Registry of Court</u>	<u>Child Support</u>
Assets			
Cash and cash equivalents	<u>\$ 76,511</u>	<u>\$ 213,994</u>	<u>\$ 373</u>
Total Assets	<u>\$ 76,511</u>	<u>\$ 213,994</u>	<u>\$ 373</u>
Liabilities			
Due to individuals	328	213,994	373
Due to other funds	44,832	—	—
Due to other governments	<u>31,351</u>	<u>—</u>	<u>—</u>
Total Liabilities	<u>\$ 76,511</u>	<u>\$ 213,994</u>	<u>\$ 373</u>

(continued)

**FRANKLIN COUNTY, FLORIDA
COMBINING BALANCE SHEET
AGENCY FUNDS (Continued)
SEPTEMBER 30, 2015**

	<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>
Assets					
Cash and cash equivalents	\$ 23,385	\$ 7,515	\$ 325,130	\$ 9,811	\$ 656,719
Total Assets	<u>\$ 23,385</u>	<u>\$ 7,515</u>	<u>\$ 325,130</u>	<u>\$ 9,811</u>	<u>\$ 656,719</u>
Liabilities					
Due to individuals	23,385	7,515	—	—	245,595
Due to other funds	—	—	—	—	44,832
Due to other governments	—	—	325,130	9,811	366,292
Total Liabilities	<u>\$ 23,385</u>	<u>\$ 7,515</u>	<u>\$ 325,130</u>	<u>\$ 9,811</u>	<u>\$ 656,719</u>

COMPLIANCE SECTION

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

Tel. (888) 531-6408 • Fax (866) 406-7422

INDEPENDENT AUDITOR'S REPORT ON EXAMINATION OF COMPLIANCE REQUIREMENTS IN ACCORDANCE WITH CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

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

We have examined the the Board of County Commissioners of Franklin County, Florida's (hereinafter referred to as the "Board") compliance with Florida Statute 218.415 in regards to investments for the year ended September 30, 2015.

Management is responsible for the Board's compliance with those requirements. Our responsibility is to express an opinion on the Board's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Board's compliance with specified requirements.

In our opinion, the Board complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

Vance CPA LLC

Vance CPA LLC

June 27, 2016

Vance CPA LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

Tel. (888) 531-6408 • Fax (866) 406-7422

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of each major fund and the aggregate remaining fund information of Franklin, County, Florida, Board of County Commissioners, (hereinafter referred to as the "Board"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2016.

Auditors' Responsibility

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Florida Auditor General.

Other Reports

We have issued our Independent Auditors' Report on Internal Control Over financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Auditors' Report on Examination of Compliance Requirements in Accordance with Chapter 10.550, *Rules of Auditor General*. Disclosures in those reports, which are dated June 27, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

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.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554 (1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. Franklin County, Florida was established by the Constitution of the State of Florida, Article VIII, Section 1(e). The name or official title and legal authority for the primary government and each component unit of the reporting entity are disclosed in note 1 of the notes to the financial statements.

Section 10.554(1)(i)5.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 219.503(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)5.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, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)5.c., and 10.556(8), 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 assessments as based in part on representations made by management and the review of financial information provided by same.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, and the Franklin County Board of County Commissioners 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 27, 2016

Vance CPA LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

Tel. (888) 531-6408 • Fax (866) 406-7422

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

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

We have audited, in accordance with the 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, the 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, 2015, and the related notes to the financial statements, which collectively comprise the Franklin County Florida's basic financial statements and have issued our report thereon dated June 27, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Franklin County Florida's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Franklin County Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of Franklin County Florida's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control 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 responses to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Franklin County Florida's financial statements are free from 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*.

Franklin County Florida's Response to Findings

Franklin County Florida's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Franklin County Florida's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vance CPA LLC

Vance CPA LLC
June 27, 2016

Vance CPA LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

Tel. (888) 531-6408 • Fax (866) 406-7422

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

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

Report on Compliance for Each Major Federal Program And State Project

We have audited Franklin County Florida's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the requirements described in the Florida Department of Financial Services' *State Projects Compliance Supplement* that could have a direct and material effect on each of Franklin County Florida's major federal programs and state projects for the year ended September 30, 2015. Franklin County Florida's major federal programs and state projects are identified in the summary of auditor's result section of the accompanying schedule of findings and responses.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Franklin County, Florida's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about Franklin County, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of Franklin County, Florida's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, Franklin County, Florida complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state project for the year ended September 30, 2015.

Report on Internal Control Over Compliance

Management of Franklin County, Florida is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Franklin County, Florida's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Franklin County Florida's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify all deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Vance CPA LLC

Vance CPA LLC
June 27, 2016

**FRANKLIN COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2015**

Federal Awards Program	CFDA #	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 Fund	\$ 17,562
Total U. S. Department of Agriculture			<u>17,562</u>
U.S. Department of the Interior			
Passed Through Florida Department of Environmental Protection			
Island View Property (El's Court) Coastal Conservation Project	15.614	DEP # G0419 / FWS # FL-C-F15AP11256	600,000
Total U. S. Department of the Interior			<u>600,000</u>
U.S. Department of Justice			
Passed Through Florida Department of Legal Affairs			
Rural Sexual Assault Program	16.589	12RUB05	95,391
Total CFDA			<u>95,391</u>
VOCA Grant	16.575	V14100	13,863
Total CFDA			<u>13,863</u>
Drug Investigations Officer Grant	16.738	2015-JAGC-FRAN-1-R3-137	41,005
Franklin County Sheriff's Office Anti-Bullying Grant	16.738	2015-JAGD-FRAN-1-R1-115	1,142
Total CFDA			<u>42,147</u>
Total U. S. Department of Justice			<u>151,401</u>
U.S. Department of Transportation			
Passed Through Florida Department of Transportation			
AIP Rehabilitate Airfield Pavements	20.106	3-12-0001-007-2014	30,192
Total CFDA			<u>30,192</u>
LAP CR384 Bluff Road	20.205	42569715802, AR088	185,421
LAP CR384 Bluff Road	20.205	42569715803, AR088	5,810
LAP Lake Morality Rd Signage & Pavement Marking Project	20.205	41961535801	55,463
LAP Lake Morality Rd Signage & Pavement Marking Project	20.205	41961536801	8,175
LAP Bayshore Drive Sidewalk Project	20.205	43138823801, AR082	51,523
Total CFDA			<u>306,392</u>
Total U. S. Department of Transportation			<u>336,584</u>

**FRANKLIN COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2015**

Federal Awards Program	CFDA #	Contract/Grant Number	Expenditures
U.S. Department of Health and Human Services			
Passed Through Florida Department of Health			
HRS Service of Process 2014/2015	93.563	CST-19	1,155
Title IV-D CSE	93.563	Operational 0001.331.650	49,267
Total U. S. Department of Health and Human Services			<u>50,422</u>
U.S. Department of Homeland Security			
Passed Through Florida Department of Community Affairs - Distaster Grants - Public Assistance			
DEM Hazard Mitigation Grant Program - Jail Roof Retrofit	97.039	15HM-6B-02-29-01-152	546,950
DEM Hazard Mitigation Grant Program - EOC Roof Retrofit	97.039	14HM-6B-02-29-01-385	71,207
Total CFDA			<u>618,157</u>
Emergency Management Performance Grant	97.042	15-FG-4D-02-29-01-086	53,481
FEMA CERT Grant	97.042	15-CI-N2-02-29-01-306	5,699
Total CFDA			<u>59,180</u>
FEMA Flood Mitigation Assistance Grant	97.027	15FM-H9-02-29-01-238	4,648
Total CFDA			<u>4,648</u>
Homeland Security Grant (ODP)	97.067	14-DS-L5-02-29-01-313	10,900
Total CFDA			<u>10,900</u>
Total U. S. Department of Homeland Security			<u>692,885</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,848,854</u></u>

**FRANKLIN COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2015**

State Financial Assistance Projects	CFDA #	Contract/Grant Number	Expenditures
Florida Executive Office of the Governor			
Division of Emergency Management			
Emergency Management Preparedness Grant EMPA	31.063	16-BG-83-02-29-01-018	\$ 4,990
Emergency Management Preparedness Grant EMPA	31.063	15-BG-83-02-29-01-019	100,743
Total CSFA			<u>105,733</u>
FEMA Residential Construction Hazard Mitigation Grant	1.066	15RC-E6-02-29-01-274	3,169
Total CSFA			<u>3,169</u>
Total Florida Executive Office of the Governor - Division of Emergency Management			<u>108,902</u>
Florida Department of Environmental Protection			
Consolidated Solid Waste Management Grant	37.012	508SC	90,909
Total CSFA			<u>90,909</u>
FRDAP Vrooman Park Grant	37.017	A5186	1,635
Total CSFA			<u>1,635</u>
Early Restoration Deepwater Horizon Oil Spill	37.081	S0706	34,340
Total CSFA			<u>34,340</u>
Total Florida Department of Environmental Protection			<u>126,884</u>
Florida Department of Agriculture			
Mosquito Control - State 1	42.003	FDACS # 21306	31,540
Total Florida Department of Agriculture			<u>31,540</u>
Florida Department of State			
State Aid to Libraries	45.030	15-ST-96	98,848
Total CSFA			<u>98,848</u>
Chapman Auditorium Roof Grant	45.031	S1532	50,000
Total CSFA			<u>50,000</u>
Armory Historic Preservation Grant	45.032	SC520	116,758
Total CSFA			<u>116,758</u>
Total Florida Department of State			<u>265,606</u>

FRANKLIN COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE (continued)
YEAR ENDED SEPTEMBER 30, 2015

State Financial Assistance Projects	CFDA #	Contract/Grant Number	Expenditures
Florida Housing Finance Agency			
State Housing Initiatives Partnership (SHIP)	52.901	2014/2015	252,664
Total Florida Housing Finance Agency			<u>252,664</u>
Florida Department of Transportation			
Airport Construction Equipment Shed	55.004	42561319401 ARA02	18,476
Airport Stormwater Sewer Improvements	55.004	41604769401 ARG99	7,667
Airport Upgrade Airfield Lighting Systems	55.004	42561329401 ARQ80	108,074
Airport Rehab Airfield Pavement	55.004	42561219401 ARA00	21,911
Airport Construction North/South Taxiway	55.004	42071749401 ARB18	21,191
Total CSFA			<u>177,319</u>
SCOP - Widen & Resurface Bayshore Drive to US98	55.009	43138815801 AR447	791,557
SCOP - Widen & Resurface Oak Street	55.009	43132615801 AR446	157,453
LAP - Resurface CR384 Bluff Road	55.009	42569716801 AR088	24,305
LAP - Resurface CR384 Bluff Road	55.009	42569715801 AR088	279,240
Total CSFA			<u>1,252,555</u>
Total Florida Department of Transportation			<u>1,429,874</u>
Florida Department of Management Services			
E911 System Maintenance Grant	72.001	14-4-8	10,211
E911 System Maintenance Grant	72.001	14-10-7	4,167
E911 System Maintenance Grant	72.001	15-4-7	3,074
Total Florida Department of Management Services			<u>17,452</u>
Florida Department of Community Affairs			
FEMA-4068-DR-FL PW 592 Alligator Point Revetment		PA-04-FL-4068-PW-00592(0)	923
FEMA-4068-DR-FL PW 591 Gulf Shore Boulevard		PA-04-FL-4068-PW-00591(0)	1,309
Total Florida Department of Community Affairs			<u>2,232</u>
Florida Fish & Wildlife Conservation Commission			
FBIP Abercrombie Boat Ramp Docks	77.006	FWC Contract # 13266	76,631
Total Florida Fish & Wildlife Conservation Commission			<u>76,631</u>
Total Expenditures of State Awards			<u>\$ 2,311,785</u>

**FRANKLIN COUNTY, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2015**

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 RESPONSES
YEAR ENDED SEPTEMBER 30, 2015**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency(ies) identified that are not
considered to be a material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs: Unqualified

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency(ies) identified that are not
considered to be a material weaknesses? ☐ Yes ☒ None reported

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

Any audit findings disclosed that are required to be reported
in accordance with section 510(a) of circular A-133? ☐ Yes ☒ No

Identified major programs:

<u>CFDA/CSFA Number</u>	<u>Name of Federal Award/State Financial Assistance Project</u>
15.614	USDA - National Forest Funds - Secure Rural Schools Fund
97.039	Department of Homeland Security - Hazard Mitigation Grant
31.063	Florida Division of Emergency Mgt - Emergency Mgt Preparedness
37.012	Florida Dept of Environmental Protection - Consolidated Waste Mgt
37.081	Florida Dept of Environmental Protection - Sea Turtle Lighting
45.030	Florida Dept of State - State Aid to Libraries
45.031	Florida Dept of State - Chapman Auditorium Roof
45.032	Florida Dept of State - Armory Historic Preservation
72.001	Florida Dept of Mgt Services - E911
77.006	Florida Fish & Wildlife Conservation Comm - Abercrombie Boat Ramp

FRANKLIN COUNTY, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES (continued)
YEAR ENDED SEPTEMBER 30, 2015

Dollar threshold used to distinguish between type A and type B programs? \$300,000
Only program

Auditee qualified as low risk? X Yes No

Section II - Financial Statements Findings

See Summary Schedule of Current Year Findings.

Section III - Federal Award 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 RESPONSES (Continued)
SEPTEMBER 30, 2015

SUMMARY SCHEDULE OF CURRENT YEAR AUDIT FINDINGS

2015-001 (Prior year 2014-001, 13-02, 12-02,11-02, 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.

2015-002 (Prior year 2014-002, 13-03, 12-03,11-03, 10-03 and 09-03) Need for Segregation of Duties

Supervisor of Elections, 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.

2015-003 (Prior year 2014-003, 13-04, 12-04, 11-04) Significant Audit Adjustments

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

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.

(Continued)

**FRANKLIN COUNTY, FLORIDA
SUMMARY SCHEDULE OF CURRENT YEAR AUDIT FINDINGS
SEPTEMBER 30, 2015**

2015-004 (Prior year 2014-004, 13-05, 12-05, 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.

**FRANKLIN COUNTY, FLORIDA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
SEPTEMBER 30, 2015**

2014-001 Inadequate Design of Internal Control

Status: See current year findings.

2014-002 Segregation of Duties

Status: See current year findings.

2014-03 Significant Audit Adjustments

Status: See current year findings.

2014-04 Inadequate Design of Internal Controls

Status: See current year findings.

2014-05 Significant Adjustment

Status: Resolved.

2014-06 Mis-posting of Revenue

Status: Resolved.

2014-07 Internal Control of Fines

Status: Resolved.

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**Franklin County, Florida
Clerk of the Circuit Court**

**Special-Purpose
Financial Statements
September 30, 2015**

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E • Apalachicola, FL 32320

Tel. (888) 531-6408 • Fax (866) 406-7422

**FRANKLIN COUNTY, FLORIDA
CLERK OF THE CIRCUIT COURT
SEPTEMBER 30, 2015**

TABLE OF CONTENTS

Independent Auditor's Report	1
Special-Purpose Financial Statements	
Special-Purpose Balance Sheet – Governmental Funds	3
Special-Purpose Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	4
Special-Purpose Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	5
Special-Purpose Statement of Revenues, Expenditures, And Changes in Fund Balance – Budget and Actual – Fines and Forfeitures Trust Fund	6
Special-Purpose Statement of Revenues, Expenditures and Changes In Fund Balance – Budget and Actual – Modernization Trust Fund	7
Statement of Fiduciary Assets and Liabilities – Agency Funds	8
Notes to Special-Purpose Financial Statements	9
Combining Financial Statements	
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds	22
Compliance Section	
Independent Auditor's Management Letter	24
Independent Auditor's Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Special-Purpose Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26
Independent Auditors' Report on Examination of Compliance Requirements in Accordance with Chapter 10.550, <i>Rules of the Auditor General</i>	29

Vance CPA, LLC

Certified Public Accountant

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Apalachicola, FL 32320

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INDEPENDENT AUDITORS' REPORT

To the Honorable Marcia M. Johnson
Franklin County Clerk of the Circuit Court
Franklin County, Florida

Report on the Financial Statements

We have audited the accompanying fund financial statements of Franklin County, Florida, Clerk of the Circuit Court, (Clerk), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Clerk's fund financial statements as listed in the table of contents.

Management's Responsibility for the financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the funds of the Clerk as of September 30, 2015, and the respective changes in financial position and the respective budgetary comparison for the general fund, fines and forfeitures trust fund and modernization trust fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements referred to above present only the Franklin County, Florida Clerk of the Circuit Court and do not purport to, and do not, present fairly the financial position of Franklin County, Florida as of September 30, 2015, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2016 and on our consideration of the Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clerk's internal control over financial reporting and compliance.

Vance CPA LLC

Vance CPA LLC

June 27, 2016

**FRANKLIN COUNTY, FLORIDA
CLERK OF THE CIRCUIT COURT**

**SPECIAL-PURPOSE BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015**

	<u>General Fund</u>	<u>Fines and Forfeitures Fund</u>	<u>Modernization Trust Fund</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 49,244	\$ 75,474	\$ 160,230	\$ 284,948
Due from other funds	15,096	21,126	9,576	45,798
Due from other governmental units	<u>8,433</u>	<u>—</u>	<u>—</u>	<u>8,433</u>
Total Assets	<u>72,773</u>	<u>96,600</u>	<u>169,806</u>	<u>339,179</u>
Liabilities Deferred Inflows and Fund Balances:				
Liabilities				
Accounts payable	4,538	15,067	11,929	31,534
Due to other funds	66,610	1,595	—	68,205
Due to other governmental units	<u>—</u>	<u>79,938</u>	<u>—</u>	<u>79,938</u>
Due to Board of County Commissioners	<u>1,625</u>	<u>—</u>	<u>—</u>	<u>1,625</u>
Total Liabilities	<u>72,773</u>	<u>96,600</u>	<u>11,929</u>	<u>181,302</u>
Fund Balance:				
Restricted	<u>—</u>	<u>—</u>	<u>157,877</u>	<u>157,877</u>
Total Liabilities Deferred Inflows and Fund Balances	<u>\$ 72,773</u>	<u>\$ 96,600</u>	<u>\$ 169,806</u>	<u>\$ 339,179</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
CLERK OF THE CIRCUIT COURT**

**SPECIAL-PURPOSE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN RESTRICTED FUND BALANCES
GOVERNMENTAL FUNDS**

YEAR ENDED SEPTEMBER 30, 2015

	<u>General Fund</u>	<u>Fines and Forfeitures Fund</u>	<u>Modernization Trust Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Charges for services	\$ 85,380	\$ —	\$ 51,726	\$ 137,106
Intergovernmental revenue	49,267	619,593	—	668,860
Investment income	642	155	263	1,060
Total revenues	<u>135,289</u>	<u>619,748</u>	<u>51,989</u>	<u>807,026</u>
Expenditures:				
General government				
Current				
Personal services	347,797	—	—	347,797
Operating expenditures	35,680	—	25,554	61,234
Capital outlay	3,830	—	—	3,830
Court-related				
Current				
Personal services	25,735	563,213	—	588,948
Operating expenditures	896	35,489	15,819	52,204
Capital outlay	—	13,145	37,045	50,190
Total expenditures	<u>413,938</u>	<u>611,847</u>	<u>78,418</u>	<u>1,104,203</u>
Excess (deficit) of revenues over (Under) Expenditures	(278,649)	7,901	(26,429)	(297,177)
Other financing sources (uses)				
Transfers from Board of County Commissioners	339,529	—	—	339,529
Transfers to Board of County Commissioners	(60,880)	—	—	(60,880)
Reversion to State of Florida	—	(7,901)	—	(7,901)
Total other financing Sources (uses)	<u>278,649</u>	<u>(7,901)</u>	<u>—</u>	<u>270,748</u>
Net change in fund balances	—	—	(26,429)	(26,429)
Fund balances - beginning	—	—	184,306	184,306
Fund balance - ending	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 157,877</u>	<u>\$ 157,877</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
CLERK OF THE CIRCUIT COURT**

**SPECIAL-PURPOSE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL FUND**

YEAR ENDED SEPTEMBER 30, 2015

	Budget Amounts		Actual	Variance with Final
	Original	Final	Amounts	Budget Positive (Negative)
Revenues:				
Charges for services	\$ 92,000	\$ 92,000	\$ 85,380	\$ (6,620)
Intergovernmental revenue	48,000	48,000	49,267	1,267
Interest income	550	550	642	92
Total revenues	<u>140,550</u>	<u>140,550</u>	<u>135,289</u>	<u>(5,261)</u>
Expenditures:				
General Government				
Current				
Personal services	391,188	391,188	347,797	43,391
Operating expenditures	43,137	43,137	35,680	7,457
Capital outlay	4,862	4,862	3,830	1,032
Court-related				
Current				
Personal services	28,638	28,638	25,735	2,903
Operating expenditures	14,500	14,500	896	13,604
Total expenditures	<u>482,325</u>	<u>482,325</u>	<u>413,938</u>	<u>68,387</u>
Excess (deficit) of revenues over (under) expenditures	<u>(341,775)</u>	<u>(341,775)</u>	<u>(278,649)</u>	<u>63,126</u>
Other financing sources (uses)				
Transfers from Board of County Commissioners	341,775	341,775	339,529	(2,246)
Transfers to Board of County Commissioners	<u>—</u>	<u>—</u>	<u>(60,880)</u>	<u>(60,880)</u>
Total other financing Sources (uses)	<u>341,775</u>	<u>341,775</u>	<u>278,649</u>	<u>(63,126)</u>
Net change in fund balances	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances - beginning	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances - ending	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
CLERK OF THE CIRCUIT COURT**

**SPECIAL-PURPOSE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – FINE AND FORFEITURES TRUST FUND**

YEAR ENDED SEPTEMBER 30, 2015

	Budget Amounts		Actual	Variance with Final
	Original	Final	Amounts	Budget Positive (Negative)
Revenues:				
Intergovernmental revenue	\$ 636,702	\$ 636,702	\$ 619,593	\$ (17,109)
Investment Income	141	141	155	14
Total revenues	<u>636,843</u>	<u>636,843</u>	<u>619,748</u>	<u>(17,095)</u>
Expenditures:				
Court-related				
Current				
Personal services	590,508	590,508	563,213	27,295
Operating expenditures	46,335	46,335	35,489	10,846
Capital outlay	—	—	13,145	(13,145)
Total expenditures	<u>636,843</u>	<u>636,843</u>	<u>611,847</u>	<u>24,996</u>
Excess (deficit) of revenues over (under) expenditures	—	—	7,901	7,901
Other financing sources (uses)				
Reversion to State of Florida	—	—	(7,901)	(7,901)
Net change in fund balances	—	—	—	—
Fund balances - beginning	—	—	—	—
Fund balances - ending	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
CLERK OF THE CIRCUIT COURT**

**SPECIAL-PURPOSE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – MODERNIZATION TRUST FUND**

YEAR ENDED SEPTEMBER 30, 2015

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Budget Positive</u>
				<u>(Negative)</u>
Revenues:				
Charges for services	\$ 47,000	\$ 47,000	\$ 51,726	\$ 4,726
Investment income	—	—	263	263
Total revenues	<u>47,000</u>	<u>47,000</u>	<u>51,989</u>	<u>4,989</u>
Expenditures:				
General government				
Current				
Operating expenditures	84,538	84,538	25,554	58,984
Court-related				
Current				
Operating expenditures	95,462	95,462	15,819	79,643
Capital outlay	<u>47,000</u>	<u>47,000</u>	<u>37,045</u>	<u>9,955</u>
Total expenditures	<u>227,000</u>	<u>227,000</u>	<u>78,418</u>	<u>148,582</u>
Excess (deficit) of revenues over (under) expenditures	<u>(180,000)</u>	<u>(180,000)</u>	<u>(26,429)</u>	<u>153,571</u>
Net change in fund balances	<u>(180,000)</u>	<u>(180,000)</u>	<u>(26,429)</u>	<u>153,571</u>
Fund balances - beginning	<u>184,306</u>	<u>184,306</u>	<u>184,306</u>	<u>—</u>
Fund balances - ending	<u><u>\$ 4,306</u></u>	<u><u>\$ 4,306</u></u>	<u><u>\$ 157,877</u></u>	<u><u>\$ 153,571</u></u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
CLERK OF THE CIRCUIT COURT**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS**

SEPTEMBER 30, 2015

ASSETS

Cash and Cash Equivalents	<u>\$ 290,878</u>
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Total Assets	<u>\$ 290,878</u>
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LIABILITIES

Due to individuals	214,695
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Due to other funds	33,549
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Due to Board of County Commissioners	11,283
--------------------------------------	--------

Due to other governments	<u>31,351</u>
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Total Liabilities	<u>\$ 290,878</u>
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See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA - CLERK OF THE CIRCUIT COURT
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS**

SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Clerk of the Circuit Court of Franklin County, Florida is an elected Constitutional Officer of Franklin County pursuant to Article VIII, Section (1) of the *Constitution of the State of Florida*. For financial statement and reporting purposes, the Clerk is a separate constitutional officer as provided for by Chapter 218, Florida Statutes. The Clerk is considered to be a part of the primary government of Franklin County, Florida and the financial information is included in Franklin County's county-wide financial statements.

These special-purpose financial statements include only the balance and activity of the Clerk's office. They have been prepared for the purpose of complying with Section 10.557, *Rules of the Auditor General for Local Government Entity audits*, and are not intended to be a complete presentation of the financial position of the County, or the changes in financial position or where applicable, cash flows, thereof, in conformity with accounting principles generally accepted in the United States of America.

The Clerk funds her operations as a fee officer and a budget officer pursuant to Florida Statutes, Chapters 28, 218 and 129. As a fee officer, the Clerk collects fees and commissions from the County and Circuit Court related matters. As a budget officer, the operations as Clerk to the Board are approved and funded by the Board of County Commissioners. The budgeted receipts from the Board are recorded as other financing sources on the Clerk's financial statements and as other financing uses on the Board's financial statements. Excesses of revenues and other financing sources received over expenditures are remitted to the Board at year-end.

The accounting policies of the Clerk conform to accounting principles generally accepted in the United States of America, as applicable to governments.

B. Basis of Presentation

Accounts are organized on the basis of fund types, 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 balance, revenues and expenditures as appropriate. Government 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. The Clerk utilizes the following fund types:

FRANKLIN COUNTY, FLORIDA - CLERK OF THE CIRCUIT COURT
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Fund Types

General Fund – The general fund is the general operating fund of the Clerk. It is used to account for all financial resources, except for those required to be accounted for in other funds.

Fine and Forfeitures Trust Fund – This fund accounts for funds collected and disbursed pursuant to statutes, administrative orders and ordinances.

Modernization Trust Fund – The modernization trust fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Fiduciary Fund Type

Agency Funds – The agency funds are used to account for assets held by the Clerk as an agent for individuals, private organizations, and other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of changes in financial position.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements and relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared using the modified accrual basis of accounting for governmental funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. Expenditures are recorded when the liability is incurred, if measurable, except for principal and interest on long-term obligations which is recorded when due.

The Clerk considers receivable collected within 60 days after year end to be available and susceptible to accrual as revenues of the current year. Charges for services and interest earned are susceptible to accrual.

FRANKLIN COUNTY, FLORIDA - CLERK OF THE CIRCUIT COURT
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus

The accounting and financial reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. This means that generally, only current assets and current liabilities are included in the balance sheet. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they present a summary of sources and uses of “available spendable resources” during a period.

E. Budgetary Requirements

Expenditures, other than those for certain agency funds, are controlled by appropriations in accordance with the budget requirements set forth in Florida Statutes. Budgets are adopted for governmental and special revenue funds. Budgetary control is exercised at the fund level. Budgetary changes within the fund are made at the discretion of the Clerk. Appropriations lapse at the end of the fiscal year to the extent they have not been expended. The budgeted revenues and expenditures in the accompanying budgetary comparison statement reflect all approved amendments.

Florida Statutes Chapter 218.35 governs the preparation, adoption, and administration of the Clerk’s annual budget. The Clerk establishes an annual budget for the office which clearly reflects the revenues available to the office and the functions for which the money is to be expended.

The Clerk’s budget is prepared in three parts:

1. The budget relating to the requirements of the Clerk as the Ex Officio Clerk to the Board, County Auditor, County Recorder, and Custodian or Treasurer of all County funds and other county related duties, and for chapter 29 obligations;
2. The budget relating to the Florida court system, which is filed with the Clerk of Courts Operations Corporation (CCOC) by August 15 preceding the fiscal year of the budget, in the format required by the CCOC. Section 28.36, Florida Statutes, defines the maximum annual budget permitted; and
3. The budget for all other operations of the Clerk.

FRANKLIN COUNTY, FLORIDA - CLERK OF THE CIRCUIT COURT
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The annual budgetary data reported for the governmental fund types are adopted on a basis consistent with accounting principles generally accepted in the United States and represent the Clerk's adopted budget, the original appropriation ordinance, and budget amendments approved by the Clerk or as adopted by the Board.

Budget to actual comparisons are provided in the financial statements for the general fund, the fine and forfeitures trust fund, and modernization trust fund. All budget amounts presented in the accompanying financial statements have been adjusted for legally authorized amendments of the annual budget for the year. Budgets are prepared on the modified accrual basis of accounting.

F. Cash and Cash Equivalents

The Clerk considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

G. Investments

Investments are administered by the Florida State Board of Administration or consist of certificates of deposit when directed by court order. In accordance with the provisions of GASB Statement Number 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments of the Clerk are reported at amortized cost, which approximates fair value.

H. Capital Assets

Tangible personal property is recorded as expenditures in the governmental fund types at the time an asset is acquired. Title to these assets vests with the Franklin County Board of County Commissioners, and therefore, the Franklin County Board of County Commissioners records the capitalization of the asset, and any related depreciation. The Clerk maintains custodial responsibility for the capital assets used by her office.

FRANKLIN COUNTY, FLORIDA - CLERK OF THE CIRCUIT COURT
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Compensated Absences

The Clerk 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 of Franklin County. 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.

J. Net Assets and Fund Equity

GASB Statement 54 – *Fund Balance Reporting and Governmental Funds Type Definitions* was implemented as of October 1, 2009. This Statement requires the fund balance for governmental funds to be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Categories for fund balance are as follows: nonspendable, restricted, committed, assigned, and unassigned. For more information, see the County-wide note on fund balance.

K. 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.

L. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make use of estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amount of revenues and expenditures during the reporting period. Actual results could differ from estimates.

**FRANKLIN COUNTY, FLORIDA - CLERK OF THE CIRCUIT COURT
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS**

SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Subsequent Events

The County evaluated subsequent events through June 27, 2016, the date which the financial statements were available to be issued. The County did not have any subsequent events requiring disclosure or recording in these financial statements.

N. Excess Court-related Funds

Based on the legal opinion provided by Clerks of Court Operations Corporation general counsel to the provisions of Section 28.37(3), F.S., which was adopted as policy by the CCOC Finance and Budget Committee, all excess court-related funds have been included in a fund liability, Due to Other Governments..

NOTE 2 - CASH AND INVESTMENTS

Cash Deposits

All Clerk depositories are banks designated by the State Treasurer as qualified public depositories. Chapter 280, Florida Statutes "Florida Security for Public Deposits Act" provides procedures for public depositories to insure monies in banks and savings and loans are collateralized with the Treasurer as an agent for the public entities. All Clerk cash consists of checking accounts and interest-bearing time deposits in a local bank.

Investments

The Clerk maintains investment accounts with the Local Government Surplus Trust Funds Trust Fund (LGSF) administered by the Florida State Board of Administration (SBA). The LGSF is an external investment pool that is not a registrant with the Securities and Exchange Commission (SEC); however, the SBA has adopted operating procedures consistent with the requirements for an SEC Rule 2a-7 fund. The LGSF is governed by Chapter 19-7 of the Florida Administrative Code, which identifies the Rules of the SBA. These rules provide guidance and establish the general operating procedures for the administration of the LGSF. Additionally, the Florida Office of the Auditor General performs the operational audit of the activities and investments of the SBA. Investments with the SBA are not evidenced by securities that exist in physical or book entry form. The LGSF is not rated by statistical rating organizations.

**FRANKLIN COUNTY, FLORIDA - CLERK OF THE CIRCUIT COURT
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS**

SEPTEMBER 30, 2015

NOTE 2 - CASH AND INVESTMENTS (continued)

The Clerk held no investments at September 30, 2015.

Interest Rate Risk

At September 30, 2015, the Clerk did not hold any investments that were considered to be an interest rate risk.

Credit Risk

At September 30, 2015 the Clerk did not hold any investments that were considered to be a credit risk.

Custodial Risk

At September 30, 2015 the Clerk did not hold any deposits or investments that were considered to be a custodial risk.

Concentration of Credit Risk

At September 30, 2015 the Clerk did not hold any deposits or investments that were considered to be a credit risk.

NOTE 3 – EMPLOYEE BENEFITS

RETIREMENT PLAN

The Florida Retirement System (FRS) was created by Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

FRANKLIN COUNTY, FLORIDA - CLERK OF THE CIRCUIT COURT
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 3 – EMPLOYEE BENEFITS (continued)

Essentially all regular employees of the Clerk are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Park IV, Florida Statutes, Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two costs-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statement, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site (www.dms.myflorida.com)

Plan Description

The Florida Retirement System Pension Plan (FRS Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

- Regular Class – Members of the FRS who do not qualify for membership in the other classes.
- Elected County Officers Class – Members who hold specified elective offices in local government.
- Senior Management Service Class (SMSC) – Members in senior management level positions.
- Special Risk Class – Members who are special risk employees, such as law enforcement officers, meet the criteria to qualify for this class.

Employees enrolled in the FRS Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the FRS Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the FRS Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special

FRANKLIN COUNTY, FLORIDA - CLERK OF THE CIRCUIT COURT
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 3 – EMPLOYEE BENEFITS (continued)

risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Employees enrolled in the FRS Plan may include up to 4 years of credit for military service toward creditable service. The FRS Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The FRS Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the FRS Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided

Benefits under the FRS Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. FRS Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

FRANKLIN COUNTY, FLORIDA - CLERK OF THE CIRCUIT COURT
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 3 – EMPLOYEE BENEFITS (continued)

Detailed information about the County's proportionate share of FRS's net pension liability, deferred outflows/inflows of resources, and pension expense are reported in the government-wide statements of the County.

Plan Description

The Retiree Health Insurance Subsidy Program (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided

For the fiscal year ended June 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Detailed information about the County's proportionate share of HIS's net pension liability, deferred outflows/inflows of resources, and pension expense are reported in the government-wide statements of the County.

The Florida State Board of Administration (SBA) administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Clerk employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The

FRANKLIN COUNTY, FLORIDA - CLERK OF THE CIRCUIT COURT
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 3 – EMPLOYEE BENEFITS (continued)

Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officer, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members.

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Clerk.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these operations. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

Participating employer contributions are based upon statewide rates established by the State of Florida. The Clerk's contributions made to the plans during the years ended September 30, 2015, 2014, and 2013 were \$83,364, \$81,386, and \$48,471 respectively, equal to the actuarially determined contribution requirements for each year. Additional information about pension plans can be found in the County's annual financial statements.

FRANKLIN COUNTY, FLORIDA - CLERK OF THE CIRCUIT COURT
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 4 – CHANGES IN LONG-TERM OBLIGATIONS

Long-term debt of the Clerk of the Circuit Court is reported as a component of the County's government-wide financial statements as follows:

	<u>Balance</u> <u>09/30/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>09/30/15</u>
Accumulated compensated absences	\$ 66,998	\$ —	\$ (636)	\$ 66,362

Accrued compensated absences represent the vested portion of accrued vacation, sick leave, and compensatory time. See note 1 for a summary of the Clerk of the Circuit Court's policy regarding compensated absences.

NOTE 5 – RISK MANAGEMENT

The Clerk 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 the public; or damage to property of others. The Clerk participates in the risk management program through the Franklin County Board of County Commissioners, which uses commercial insurance and a public entity risk pool to cover certain risks from loss.

The Board obtained commercial insurance against losses for the following types of risk:

- Real and personal property damage
- Public employee's bond
- Workers' compensation
- General and automobile liability

NOTE 6 – ENCUMBRANCES

Encumbrances represent commitments related to unperformed contracts for goods and services. They do not constitute expenditures or liabilities. The commitments will be honored in the subsequent year for those that expire at year end. The Clerk had no outstanding encumbrances at September 30, 2015.

COMBINING FINANCIAL STATEMENTS

FRANKLIN COUNTY, FLORIDA - CLERK OF THE CIRCUIT COURT
COMBINING STATEMENT OF FIDUCIARY
ASSETS AND LIABILITIES
AGENCY FUNDS

SEPTEMBER 30, 2015

	<u>General Trust</u>	<u>Child Support</u>	<u>Registry of Court</u>	<u>Total Agency Funds</u>
Assets:				
Cash and cash equivalents	\$ 76,511	\$ 373	\$ 213,994	\$ 290,878
Total assets	<u>76,511</u>	<u>373</u>	<u>213,994</u>	<u>290,878</u>
Liabilities:				
Due to individuals	328	373	213,994	214,695
Due to other funds	33,549	—	—	33,549
Due to Board of County Commissioners	11,283	—	—	11,283
Due to other governments	<u>31,351</u>	<u>—</u>	<u>—</u>	<u>31,351</u>
Total Liabilities	<u>\$ 76,511</u>	<u>\$ 373</u>	<u>\$ 213,994</u>	<u>\$ 290,878</u>

COMPLIANCE SECTION

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

Tel. (888) 531-6408 • Fax (866) 406-7422

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

To the Honorable Marcia M. Johnson
Franklin County Clerk of the Circuit Court
Franklin County, Florida

Report on the Financial Statements

We have audited the financial statements of the general fund of the Office of the Clerk of Circuit Court of Franklin, County, Florida (hereinafter referred to as the "Clerk"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2015.

Auditors' Responsibility

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 Chapter 10.550, Rules of the Florida Auditor General.

Other Reports

We have issued our Independent Auditors' Report on Internal Control Over financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on Examination of Compliance Requirements in Accordance with Chapter 10.550 Rules of Auditor General. Disclosures in those reports, which are dated June 27, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

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. No corrective action taken on prior year findings 14-001 and 14-002. Corrective action taken on 14-003.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554 (1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)4., 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 Clerk was established by the Constitution of the State of Florida, Article VIII, Section 1 (d). The Clerk has no component units.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the Clerk, Franklin County Board of County Commissioners, and applicable management 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 27, 2016

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

Tel. (888) 531-6408 • Fax (866) 406-7422

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

To the Honorable Marcia M. Johnson
Franklin County Clerk of the Circuit Court
Franklin County, Florida

We have audited the accompanying special-purpose financial statements of each major fund and the aggregate remaining fund information of the Franklin County, Florida, Clerk of the Circuit Court, (Clerk), as of and for the year ended September 30, 2015, and have issued our report thereon dated June 27, 2016, which describes that such special-purpose financial statements have been prepared for the purpose of complying with section 218.39, *Florida Statutes*, and Chapter 10.577(3), *Rules of the Auditor General for Local Government Entity Audits*. 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 Clerk of the Circuit Court is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the special-purpose financial statements, but not for the purpose of expressing an opinion on effectiveness of the Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clerk's internal control over financial reporting.

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

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

2015-001 (Prior year 2014-001, 13-01, 12-01, 11-01, 10-01 and 09-01) Lack of segregation of duties – Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate. The limited number of employees precludes proper segregation of duties in the County Clerk of the Circuit Court's office. We recommend that in the absence of the ability to hire additional employees, that mitigating procedures including additional oversight with regard to certain duties be performed regularly to reduce the risks caused by this lack of segregation of duties.

Management's response – Due to the limited 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 effective internal procedures.

2015-002 (Prior year 2014-002, 13-02, 12-02, 11-02, 10-02 and 09-02) 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Clerk of the Circuit Court'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*.

Response to Findings

The Clerk of the Circuit Court's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Clerk of the Circuit Court's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Clerk of the Circuit Court's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Vance CPA LLC". The script is cursive and fluid.

Vance CPA LLC

June 27, 2016

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

Tel. (888) 531-6408 • Fax (866) 406-7422

INDEPENDENT AUDITOR'S REPORT ON EXAMINATION OF COMPLIANCE REQUIREMENTS IN ACCORDANCE WITH CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

To the Honorable Marcia M. Johnson
Franklin County Clerk of the Circuit Court
Franklin County, Florida

We have examined the Office of the Clerk of the Circuit Court of Franklin County, Florida's (hereinafter referred to as the "Clerk") compliance with Florida Statute 218.415 in regards to investments, Section 61.181 Florida Statutes regarding alimony and child support payments, Sections 365.172(10) and 365.173(2)(d) Florida Statutes regarding expenditures of E911 funds, and Florida Statutes 28.35 and 28.36 in regards to certain court-related functions for the year ended September 30, 2015.

Management is responsible for the Clerk's compliance with those requirements. Our responsibility is to express an opinion on the Clerk's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Clerk's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Clerk's compliance with specified requirements.

In our opinion, the Clerk complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

Vance CPA LLC

Vance CPA LLC

June 27, 2016

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**Franklin County, Florida
Sheriff**

**Special-Purpose
Financial Statements
September 30, 2015**

Vance CPA LLC

Certified Public Accountant

219-B Avenue E • Apalachicola, FL 32320

Tel. (888) 531-6408 • Fax (866) 406-7422

**FRANKLIN COUNTY SHERIFF
SEPTEMBER 30, 2015**

TABLE OF CONTENTS

Independent Auditor's Report	1
Special-Purpose Financial Statements	
Special-Purpose Balance Sheet – Governmental Funds	3
Special-Purpose Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	4
Special-Purpose Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	5
Statement of Fiduciary Assets and Liabilities – Agency Funds	6
Notes to Special-Purpose Financial Statements	7
Combining Financial Statements	
Combining Balance Sheet – Other Governmental Funds – Special Revenue Funds	19
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds – Special Revenue Funds	20
Combining Statement of Fiduciary Assets and Liabilities – Agency Funds	22
Compliance Section	
Independent Auditor's Management Letter	24
Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26
Independent Auditors' Report on Examination of Compliance Requirements in Accordance with Chapter 10.550, <i>Rules of the Auditor General</i>	29

Vance CPA LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

Tel. (888) 531-6408 • Fax (866) 406-7422

INDEPENDENT AUDITORS' REPORT

To the Honorable Mike Mock
Franklin County Sheriff
Franklin County, Florida

Report on the Financial Statements

We have audited the accompanying fund financial statements of each major fund and the aggregate remaining fund information of the Franklin County, Florida Sheriff (the "Sheriff"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Sheriff's fund financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the funds of the Sheriff as of September 30, 2015, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements referred to above present only the Franklin County, Florida Sheriff and do not purport to, and do not, present fairly the financial position of Franklin County, Florida as of September 30, 2015, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2016 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sheriff's internal control over financial reporting and compliance.

Vance CPA LLC

Vance CPA LLC
June 27, 2016

**FRANKLIN COUNTY, FLORIDA
SHERIFF**

**SPECIAL-PURPOSE BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015**

	<u>General Fund</u>	<u>Prisoner Welfare Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 8,924	\$ 55,059	\$ 25,380	\$ 89,363
Due from other funds	<u>11,825</u>	<u>—</u>	<u>—</u>	<u>11,825</u>
Total Assets	<u>20,749</u>	<u>55,059</u>	<u>25,380</u>	<u>101,188</u>
Liabilities and fund balances:				
Liabilities				
Due to other funds	<u>20,749</u>	<u>—</u>	<u>—</u>	<u>20,749</u>
Total Liabilities	<u>20,749</u>	<u>—</u>	<u>—</u>	<u>20,749</u>
Fund Balance:				
Restricted	—	—	25,380	25,380
Assigned	—	55,059	—	55,059
Unassigned	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total fund balances	<u>—</u>	<u>55,059</u>	<u>25,380</u>	<u>80,439</u>
Total Liabilities and Fund Balances	<u>\$ 20,749</u>	<u>\$ 55,059</u>	<u>\$ 25,380</u>	<u>\$ 101,188</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
SHERIFF**

**SPECIAL-PURPOSE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

YEAR ENDED SEPTEMBER 30, 2015

	<u>General Fund</u>	<u>Prisoner Welfare Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Intergovernmental	\$ 90,363	\$ —	\$ —	\$ 90,363
Miscellaneous	2,398	41,726	19,857	63,981
Total revenues	<u>92,761</u>	<u>41,726</u>	<u>19,857</u>	<u>154,344</u>
Expenditures:				
Public safety				
Law enforcement				
Current				
Personal services	2,600,305	—	—	2,600,305
Operating expenditures	441,372	—	35,399	476,771
Capital outlay	<u>156,319</u>	<u>—</u>	<u>—</u>	<u>156,319</u>
Total law enforcement	<u>3,197,996</u>	<u>—</u>	<u>35,399</u>	<u>3,233,395</u>
Corrections				
Current				
Personal services	1,045,917	—	—	1,045,917
Operating expenditures	395,789	16,665	—	412,454
Capital outlay	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total corrections	<u>1,441,706</u>	<u>16,665</u>	<u>—</u>	<u>1,458,371</u>
Total expenditures	<u>4,639,702</u>	<u>16,665</u>	<u>35,399</u>	<u>4,691,766</u>
Excess (deficit) of revenues over (Under) Expenditures	(4,546,941)	25,061	(15,542)	(4,537,422)
Other financing sources (uses)				
Transfers in	4,567,690	—	—	4,567,690
Transfers to Board of County Commissioners	<u>(20,749)</u>	<u>—</u>	<u>—</u>	<u>(20,749)</u>
Total other financing Sources (uses)	<u>4,546,941</u>	<u>—</u>	<u>—</u>	<u>4,546,941</u>
Net change in fund balances	—	25,061	(15,542)	9,519
Fund balances - beginning	<u>—</u>	<u>29,998</u>	<u>40,922</u>	<u>70,920</u>
Fund balance - ending	<u>\$ —</u>	<u>\$ 55,059</u>	<u>\$ 25,380</u>	<u>\$ 80,439</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
SHERIFF**

**SPECIAL-PURPOSE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL FUND**

YEAR ENDED SEPTEMBER 30, 2015

	Budget Amounts		Actual	Variance with Final
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Budget Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ —	\$ —	\$ 90,363	\$ 90,363
Miscellaneous	—	—	2,398	2,398
Total revenues	<u>—</u>	<u>—</u>	<u>92,761</u>	<u>92,761</u>
Expenditures:				
Public Safety				
Law enforcement				
Current				
Personal services	2,588,999	2,600,305	2,600,305	—
Operating expenditures	458,929	458,929	441,372	17,557
Capital outlay	78,000	78,000	156,319	(78,319)
Total law enforcement	<u>3,125,928</u>	<u>3,137,234</u>	<u>3,197,996</u>	<u>(60,762)</u>
Corrections				
Current				
Personal services	1,039,522	1,045,917	1,045,917	—
Operating expenditures	424,300	384,539	395,789	(11,250)
Total corrections	<u>1,463,822</u>	<u>1,430,456</u>	<u>1,441,706</u>	<u>(11,250)</u>
Total expenditures	<u>4,589,750</u>	<u>4,567,690</u>	<u>4,639,702</u>	<u>(72,012)</u>
Excess (deficit) of revenues over (under) expenditures	<u>(4,589,750)</u>	<u>(4,567,690)</u>	<u>(4,546,941)</u>	<u>20,749</u>
Other financing sources (uses)				
Transfers in	4,589,750	4,567,690	4,567,690	—
Transfers out	—	—	(20,749)	(20,749)
Total other financing Sources (uses)	<u>4,589,750</u>	<u>4,567,690</u>	<u>4,546,941</u>	<u>(20,749)</u>
Net change in fund balances	—	—	—	—
Fund balances - beginning	—	—	—	—
Fund balances - ending	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
SHERIFF**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS**

SEPTEMBER 30, 2015

ASSETS

Cash and Cash Equivalents	\$ 30,900
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Total Assets	<u>\$ 30,900</u>
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LIABILITIES

Due to individuals	<u>30,900</u>
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Total Liabilities	<u>\$ 30,900</u>
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See accompanying notes to the basic financial statements

FRANKLIN COUNTY, FLORIDA - SHERIFF
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Sheriff of Franklin County, Florida is an elected Constitutional Officer of Franklin County pursuant to Article VIII, Section (1) of the *Constitution of the State of Florida*. For financial statement and reporting purposes, the Sheriff is a separate constitutional officer as provided for by Chapter 218, Florida Statutes. The Sheriff is considered to be a part of the primary government of Franklin County, Florida and the financial information is included in Franklin County's county wide financial statements.

These special-purpose financial statements include only the balances and activity of the Sheriff's office. They have been prepared for the purpose of complying with Section 10.557, *Rules of the Auditor General for Local Government Entity Audits*, and are not intended to be a complete presentation of the financial position of the County, or the changes in financial position or where applicable, cash flows, thereof, in conformity with accounting principles generally accepted in the United States of America.

The Franklin County Board of County Commissioners (Board) funds a portion or, in certain instances, all of the operating budgets of the County's Constitutional Officers except obligations specified under Florida Statutes Chapter 29. The payments by the Board to fund the operations of the Constitutional Officers are recorded as transfers out on the financial statements of the Board and as transfers from the Board on the financial statements of the Constitutional Officers. Repayments to the Board are recorded as transfers out on the financial statements of the Constitutional Officers and as transfers in on the financial statements of the Board.

The accounting policies of the Sheriff conform to accounting principles generally accepted in the United States of America, as applicable to governments.

B. Basis of Presentation

Accounts are organized on the basis of fund types, 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 balance, revenues and expenditures as appropriate. Government 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. The Sheriff utilizes the following fund types:

FRANKLIN COUNTY, FLORIDA - SHERIFF
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Fund Types

General Fund – The general fund is the general operating fund of the Sheriff. It is used to account for all financial resources, except those required to be accounted for in other funds.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Fiduciary Fund Types

Agency Funds – The agency funds are used to account for assets held by the Sheriff as an agent for individuals, private organizations, and other governments. Agency funds are custodial in nature and do not involve measurement of changes in financial position.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements and relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared using the modified accrual basis of accounting for governmental funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. Expenditures are recorded when the liability is incurred, if measurable, except for principal and interest on long-term obligations which is recorded when due.

The Sheriff considers receivables collected within 60 days after year end to be available and susceptible to accrual as revenues in the current year. Charges for services and interest are susceptible to accrual.

FRANKLIN COUNTY, FLORIDA - SHERIFF
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus

The accounting and financial reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. This means that generally, only current assets and current liabilities are included in the balance sheet. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they present a summary of sources and uses of “available spendable resources” during a period.

E. Budgets and Budgetary Accounting

Florida Statutes Chapter 30.49 governs the preparation, adoption, and administration of the Sheriff’s annual budget. Expenditures, other than those for certain agency funds, are controlled by appropriations in accordance with the budget requirements set forth in Florida Statutes. Budgets are adopted for governmental and special revenue funds. Budgetary control is exercised at the fund level. Budgetary changes within the fund are made at the discretion of the Sheriff. Appropriations lapse at the end of the fiscal year to the extent they have not been expended.

The annual budgetary data reported for governmental fund types are adopted on a basis consistent with accounting principles generally accepted in the United States of America and represent the Sheriff’s adopted budget, the original appropriation ordinance, and budget amendments approved by the Sheriff or as adopted by the Board. Budgets are not adopted for the Sheriff’s special revenue funds.

F. Net Position and Fund Equity

GASB Statement 54 – *Fund Balance Reporting and Governmental Funds Type Definitions* was implemented as of October 1, 2009. This Statement requires the fund balance for governmental funds to be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Categories for fund balance are as follows: nonspendable, restricted, committed, assigned, and unassigned. For more information, see the County-wide note on fund balance.

FRANKLIN COUNTY, FLORIDA - SHERIFF
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. 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.

H. Compensated Absences

Permanent full-time employees of the Sheriff are entitled to accrue unlimited hours of sick leave and 240 hours of vacation time/compensatory time. Upon termination, employees can be paid up to 240 hours of vacation time/compensatory leave. The Sheriff's accumulated compensated absences are reported in the statement of net assets in the Board's financial statements.

I. Cash and Cash Equivalents

The Sheriff considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

J. Capital Assets

Capital assets include property, plant, and equipment with an individual cost of \$1,000 or more and an estimated useful life in excess of one year. Donated fixed assets are recorded at estimated fair market value on the date received.

K. Subsequent Events

The County evaluated subsequent events through June 27, 2016, the date which the financial statements were available to be issued. The County did not have any subsequent events requiring disclosure or recording in these financial statements.

FRANKLIN COUNTY, FLORIDA - SHERIFF
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 2 - CASH AND INVESTMENTS

All Sheriff depositories are banks designated by the State Treasurer as qualified public depositories. Chapter 280, Florida Statutes "Florida Security for Public Deposits Act" provides procedures for public depositories to insure monies in banks and savings and loans are collateralized with the Treasurer as an agent for the public entities. All Sheriff's cash consists of checking accounts and interest-bearing time deposits in a local bank.

The Sheriff held no investments at September 30, 2015.

Interest Rate Risk

At September 30, 2015 the Sheriff did not hold any investments that were considered to be an interest rate risk.

Credit Risk

At September 30, 2015 the Sheriff did not hold any investments that were considered to be a credit risk.

Custodial Risk

At September 30, 2015 the Sheriff did not hold any deposits or investment that was considered to be a custodial risk.

Concentration of Credit Risk

At September 30, 2015, the Sheriff did not hold any investments that were considered to be a concentration of credit risk.

NOTE 3 – CAPITAL ASSETS

Changes in the capital assets accounted for and maintained by the Sheriff for the year ended September 30, 2015 are summarized as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>9/30/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>9/30/2015</u>
Machinery, furniture & equipment	\$3,310,061	\$ 156,319	\$ (31,142)	\$ 3,435,238
Accumulated depreciation	<u>(2,734,215)</u>	<u>(219,611)</u>	<u>31,142</u>	<u>(2,922,684)</u>
Capital assets - net	<u>\$ 575,846</u>	<u>\$ (63,292)</u>	<u>\$ —</u>	<u>\$ 512,554</u>

FRANKLIN COUNTY, FLORIDA - SHERIFF
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 4 – EMPLOYEE BENEFITS

RETIREMENT PLAN

The Florida Retirement System (FRS) was created by Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the Sheriff are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Park IV, Florida Statutes, Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two costs-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statement, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site (www.dms.myflorida.com)

Plan Description

The Florida Retirement System Pension Plan (FRS Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

- Regular Class – Members of the FRS who do not qualify for membership in the other classes.
- Elected County Officers Class – Members who hold specified elective offices in local government.
- Senior Management Service Class (SMSC) – Members in senior management level positions.
- Special Risk Class – Members who are special risk employees, such as law enforcement officers, meet the criteria to qualify for this class.

FRANKLIN COUNTY, FLORIDA - SHERIFF
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 4 – EMPLOYEE BENEFITS (continued)

Employees enrolled in the FRS Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the FRS Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the FRS Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Employees enrolled in the FRS Plan may include up to 4 years of credit for military service toward creditable service. The FRS Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The FRS Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the FRS Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided

Benefits under the FRS Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits.

FRANKLIN COUNTY, FLORIDA - SHERIFF
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 4 – EMPLOYEE BENEFITS (continued)

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. FRS Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Detailed information about the County's proportionate share of FRS's net pension liability, deferred outflows/inflows of resources, and pension expense are reported in the government-wide statements of the County.

Plan Description

The Retiree Health Insurance Subsidy Program (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided

For the fiscal year ended June 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Detailed information about the County's proportionate share of HIS's net pension liability, deferred outflows/inflows of resources, and pension expense are reported in the government-wide statements of the County.

FRANKLIN COUNTY, FLORIDA - SHERIFF
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 4 – EMPLOYEE BENEFITS (continued)

The Florida State Board of Administration (SBA) administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Sheriff employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officer, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members.

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Sheriff.

FRANKLIN COUNTY, FLORIDA - SHERIFF
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 4 – EMPLOYEE BENEFITS (continued)

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these operations. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

Participating employer contributions are based upon statewide rates established by the State of Florida. The Sheriff's contributions made to the plans during the years ended September 30, 2015, 2014, and 2013 were \$473,265, \$461,699, and \$355,731 respectively,

equal to the actuarially determined contribution requirements for each year. Additional information about pension plans can be found in the County's annual financial statements.

NOTE 5 – CHANGES IN LONG-TERM OBLIGATIONS

	<u>Balance</u> <u>09/30/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>09/30/15</u>
Accumulated compensated absences	\$ 293,406	\$ 18,847	\$ —	\$ 312,253

Accrued compensated absences represent the vested portion of accrued vacation, sick leave, and compensatory time. See note 1 for a summary of the Sheriff's policy regarding compensated absences.

NOTE 6 – OTHER DISCLOSURES

Budget amounts are adopted only for the operating fund and not for special revenue funds. Since no budget is adopted, a budget to actual comparison has not been prepared for the major special revenue fund. The special revenue fund accounts for commissions from operation of an inmate commissary.

FRANKLIN COUNTY, FLORIDA - SHERIFF
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 7 – RISK MANAGEMENT

The Sheriff participates in the Florida Sheriff Self-Insurance Fund, which 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 these programs include; general liability, public employees blanket bond, automobiles and money and securities coverage.

- General liability
- Public employees blanket bond
- Money and securities coverage

The Sheriff provides for workers' compensation coverage under a retrospectively rated commercial insurance policy through the Board. Premiums are accrued based on the ultimate cost to – date of the Sheriff's experience for this type of risk.

In addition, the Sheriff participates in the Florida Self-Insurance Fund for risks related to professional liability and public officials' coverage. The funding agreement provides that the liability fund will be self-sustaining through member premiums and that it 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.

COMBINING FINANCIAL STATEMENTS

**FRANKLIN COUNTY, FLORIDA - SHERIFF
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS –
SPECIAL REVENUE FUNDS**

SEPTEMBER 30, 2015

	<u>Families in Crisis</u>	<u>Forfeiture Fund</u>	<u>Employee Fund</u>	<u>Kids with Cops</u>	<u>Senior Citizen Fund</u>	<u>Total Other Governmental Fund</u>
Assets						
Cash and cash equivalents	\$ 2,593	\$ 16,943	\$ 111	\$ 2,547	\$ 3,186	\$ 25,380
Total Assets	<u>2,593</u>	<u>16,943</u>	<u>111</u>	<u>2,547</u>	<u>3,186</u>	<u>25,380</u>
Liabilities & Fund Balance						
Liabilities						
Accounts payable	—	—	—	—	—	—
Total Liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund Balance						
Restricted	<u>2,593</u>	<u>16,943</u>	<u>111</u>	<u>2,547</u>	<u>3,186</u>	<u>25,380</u>
Total Fund Balance	<u>2,593</u>	<u>16,943</u>	<u>111</u>	<u>2,547</u>	<u>3,186</u>	<u>25,380</u>
Total Liabilities and Fund Balance	<u>\$ 2,593</u>	<u>\$ 16,943</u>	<u>\$ 111</u>	<u>\$ 2,547</u>	<u>\$ 3,186</u>	<u>\$ 25,380</u>

FRANKLIN COUNTY, FLORIDA - SHERIFF
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS

YEAR ENDED SEPTEMBER 30, 2015

	<u>Families in Crisis</u>	<u>Forfeiture Fund</u>	<u>Employee Fund</u>	<u>Kids with Cops</u>	<u>Senior Citizen Fund</u>	<u>Total Other Governmental Fund</u>
Revenues						
Miscellaneous	\$ 3	\$ 18,127	\$ 1,423	\$ 8	\$ 296	\$ 19,857
Total Revenues	<u>3</u>	<u>18,127</u>	<u>1,423</u>	<u>8</u>	<u>296</u>	<u>19,857</u>
Expenditures						
Public Safety						
Law Enforcement						
Current Operating						
Expenditures	<u>483</u>	<u>31,347</u>	<u>1,807</u>	<u>1,505</u>	<u>257</u>	<u>35,399</u>
Total Law Enforcement	<u>483</u>	<u>31,347</u>	<u>1,807</u>	<u>1,505</u>	<u>257</u>	<u>35,399</u>
Excess (deficit) of revenues over (under) expenditures	<u>(480)</u>	<u>(13,220)</u>	<u>(384)</u>	<u>(1,497)</u>	<u>39</u>	<u>(15,542)</u>
Fund balances – beginning of year	<u>3,073</u>	<u>30,163</u>	<u>495</u>	<u>4,044</u>	<u>3,147</u>	<u>40,922</u>
Fund balances – end of year	<u><u>\$ 2,593</u></u>	<u><u>\$ 16,943</u></u>	<u><u>\$ 111</u></u>	<u><u>\$ 2,547</u></u>	<u><u>\$ 3,186</u></u>	<u><u>\$ 25,380</u></u>

AGENCY FUNDS

BONDS – Used to account for the receipt and disbursement of cash bonds.

INMATE TRUST– Used to account for funds received from inmates held in the Franklin County Correctional Facility. Funds may be used for purchases in the facility's canteen or will be returned to the inmates upon their release.

**FRANKLIN COUNTY, FLORIDA - SHERIFF
COMBINING STATEMENT OF FIDUCIARY
ASSETS AND LIABILITIES
AGENCY FUNDS**

SEPTEMBER 30, 2015

	<u>Bonds</u>	<u>Inmate Trust</u>	<u>Total Agency Funds</u>
Assets:			
Cash and cash equivalents	\$ 23,385	\$ 7,515	\$ 30,900
Total Assets	<u>23,385</u>	<u>7,515</u>	<u>30,900</u>
Liabilities:			
Due to individuals	23,385	7,515	30,900
Total Liabilities	<u>\$ 23,385</u>	<u>\$ 7,515</u>	<u>\$ 30,900</u>

COMPLIANCE SECTION

Vance CPA LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

Tel. (888) 531-6408 • Fax (866) 406-7422

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

To the Honorable Mike Mock
Franklin County Sheriff
Franklin County, Florida

Report on the Financial Statements

We have audited the financial statements (hereinafter referred to as "financial statements") of the general fund and the aggregate remaining fund information of the Office of the Sheriff of Franklin County, Florida (hereinafter referred to as "Sheriff"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2016.

Auditors' Responsibility

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 Chapter 10.550, Rules of the Florida Auditor General.

Other Reports

We have issued our Independent Auditors' Report on Internal Control Over financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on Examination of Compliance Requirements in Accordance with Chapter 10.550 Rules of Auditor General. Disclosures in those reports, which are dated June 27, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

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 the extent considered necessary, other than for those comments repeated in the 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*.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554 (1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)4., 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 Sheriff was established by the Constitution of the State of Florida, Article VIII, Section 1 (d). The Sheriff has no component units.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the Sheriff, Franklin County Board of County Commissioners, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.



Vance CPA LLC

June 27, 2016

Vance CPA LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

Tel. (888) 531-6408 • Fax (866) 406-7422

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

To the Honorable Mike Mock
Franklin County Sheriff
Franklin County, Florida

We have audited the accompanying special-purpose financial statements of each major fund and the aggregate remaining fund information of the Franklin County, Florida, Sheriff, as of and for the year ended September 30, 2015, and have issued our report thereon dated June 27, 2016, which describes that such special-purpose financial statements have been prepared for the purpose of complying with section 218.39, *Florida Statutes*, and Chapter 10.577(3), *Rules of the Auditor General for Local Government Entity Audits*. 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 Franklin County, Florida Sheriff is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the special-purpose financial statements, but not for the purpose of expressing an opinion on effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff'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. We identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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 have identified the following significant deficiencies in internal control which are also considered to be material weaknesses.

2015-01 (Prior year 2014-01, 13-01, 12-01 ,11-01, 10-01 and 09-01) Lack of segregation of duties – Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate. The limited number of employees precludes proper segregation of duties in the Sheriff's office. We recommend that in the absence of the ability to hire additional employees, that mitigating procedures including additional oversight with regard to certain duties be performed regularly to reduce the risks caused by this lack of segregation of duties.

Management's response – Due to the limited 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 effective internal procedures.

2015-02 (Prior year 2014-02, 13-02, 12-02 ,11-02, 10-02 and 09-02) Significant adjustments to the financial records were made in order for the financial statements to conform to 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 generally accepted accounting principles. We do not feel that in the near future the benefits derived from investing in the resources necessary for us to implement an effective internal control system would outweigh the cost of those resources.

2015-03 (Prior year 2014-03, 13-03, 12-03 ,11-03, 10-03 and 09-03) Inadequate design of internal control over the preparation of the financial statements being audited gives rise to a material weakness in internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sheriff'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*.

Response to Findings

The Sheriff's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Sheriff's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Sheriff's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Vance CPA LLC". The script is cursive and fluid.

Vance CPA LLC
June 27, 2016

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

Tel. (888) 531-6408 • Fax (866) 406-7422

INDEPENDENT AUDITOR'S REPORT ON EXAMINATION OF COMPLIANCE REQUIREMENTS IN ACCORDANCE WITH CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

To the Honorable Mike Mock
Franklin County Sheriff
Franklin County, Florida

We have examined the Office of the Sheriff of Franklin County, Florida's (hereinafter referred to as the "Sheriff") compliance with Florida Statute 218.415 in regards to investments for the year ended September 30, 2015.

Management is responsible for the Sheriff's compliance with those requirements. Our responsibility is to express an opinion on the Sheriff's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Sheriff's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Sheriff's compliance with specified requirements.

In our opinion, the Sheriff complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

Vance CPA LLC

Vance CPA LLC

June 27, 2016

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**Franklin County, Florida
Tax Collector**

**Special-Purpose
Financial Statements
September 30, 2015**

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E • Apalachicola, FL 32320
Tel. (888) 531-6408 • Fax (866) 406-7422

**FRANKLIN COUNTY, FLORIDA
TAX COLLECTOR
SEPTEMBER 30, 2015**

TABLE OF CONTENTS

Independent Auditor's Report	1
Special-Purpose Financial Statements	
Special-Purpose Balance Sheet – General Fund	3
Special-Purpose Statement of Revenues, Expenditures, and Changes in Fund Balances – General Fund	4
Special-Purpose Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	5
Statement of Fiduciary Assets and Liabilities – Agency Funds	6
Notes to Special-Purpose Financial Statements	7
Combining Financial Statements	
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds	19
Compliance Section	
Independent Auditor's Management Letter	21
Independent Auditor's Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23
Independent Auditors' Report on Examination of Compliance Requirements in Accordance with Chapter 10.550, <i>Rules of the Auditor General</i>	26

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

Tel. (888) 531-6408 • Fax (866) 406-7422

INDEPENDENT AUDITORS' REPORT

To the Honorable James A. Harris, Jr.
Franklin County Tax Collector
Franklin County, Florida

Report on the Financial Statements

We have audited the accompanying fund financial statements of each major fund and the aggregate remaining fund information of the Franklin County, Florida Tax Collector (the "Tax Collector"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Tax Collector's fund financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the funds of the Tax Collector as of September 30, 2015, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements referred to above present only the Franklin County, Florida Tax Collector and do not purport to, and do not, present fairly the financial position of Franklin County, Florida as of September 30, 2015, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2016 on our consideration of the Tax Collector's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tax Collector's internal control over financial reporting and compliance.

Vance CPA LLC

Vance CPA LLC
June 27, 2016

**FRANKLIN COUNTY, FLORIDA
TAX COLLECTOR**

**SPECIAL-PURPOSE BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015**

	General Fund
ASSETS	
Cash and Cash Equivalents	\$ <u> —</u>
Total Assets	<u> —</u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Due to Board of County Commissioners	<u> —</u>
Total Liabilities	<u> —</u>
Fund Balance	<u> —</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u> —</u></u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
TAX COLLECTOR**

**SPECIAL-PURPOSE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE -
GENERAL FUND**

YEAR ENDED SEPTEMBER 30, 2015

	General Fund
REVENUES	
Miscellaneous	\$ 34
Total Revenues	<u>34</u>
EXPENDITURES	
Current	
Personal services	455,176
Operating expenditures	<u>98,889</u>
Total Expenditures	<u>554,065</u>
Excess (deficit) of revenues over (under) expenditures	<u>(554,031)</u>
Other financing sources (uses)	
Transfers from Board of County Commissioners	554,071
Transfers to Board of County Commissioners	<u>(40)</u>
Total Other Financing Sources (Uses)	<u>554,031</u>
Net change in fund balances	<u>—</u>
Fund balances - beginning	<u>—</u>
Fund balances - ending	<u>\$ —</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
TAX COLLECTOR**

**SPECIAL-PURPOSE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL FUND**

YEAR ENDED SEPTEMBER 30, 2015

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Budget Positive</u>
				<u>(Negative)</u>
Revenues	\$ —	\$ —	\$ 34	\$ 34
Expenditures:				
General Government				
Current				
Personal services	444,802	444,802	455,176	—
Operating expenditures	107,269	107,269	98,889	—
Capital outlay	<u>2,000</u>	<u>2,000</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>554,071</u>	<u>554,071</u>	<u>554,065</u>	<u>6</u>
Excess (deficit) of revenues over (under) expenditures	<u>(554,071)</u>	<u>(554,071)</u>	<u>(554,031)</u>	<u>40</u>
Other financing				
sources (uses)				
Transfers from Board of County Commissioners	554,071	554,071	554,071	—
Transfers to Board of County Commissioners	<u>—</u>	<u>—</u>	<u>(40)</u>	<u>(40)</u>
Total other financing Sources (uses)	<u>554,071</u>	<u>554,071</u>	<u>554,031</u>	<u>(40)</u>
Net change in fund balances	—	—	—	—
Fund balances - beginning	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances - ending	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
TAX COLLECTOR**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND**

SEPTEMBER 30, 2015

ASSETS

Cash and Cash Equivalents	<u>\$ 334,941</u>
---------------------------	-------------------

LIABILITIES

Due to other governments	307,627
Installment taxes	26,504
Escrow deposits	<u>810</u>
Total Liabilities	<u>\$ 334,841</u>

See accompanying notes to the basic financial statements

FRANKLIN COUNTY, FLORIDA - TAX COLLECTOR
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Tax Collector of Franklin County, Florida is an elected Constitutional Officer of Franklin County pursuant to Article VIII, Section (1) of the *Constitution of the State of Florida*. For financial statement and reporting purposes, the Tax Collector is a separate constitutional officer as provided for by Chapter 218, Florida Statutes. The Tax Collector is considered to be a part of the primary government of Franklin County, Florida and the financial information is included in Franklin County's county-wide financial statements.

These special-purpose financial statements include only the balance and activity of the Tax Collector's office. They have been prepared for the purpose of complying with Section 10.557, *Rules of the Auditor General for Local Government Entity audits*, and are not intended to be a complete presentation of the financial position of the County, or the changes in financial position or where applicable, cash flows, thereof, in conformity with accounting principles generally accepted in the United States of America.

The operations of the Tax Collector are funded by the Franklin County Board of County Commissioners (Board). The receipts from the Board are recorded as other financing sources on the Tax Collector's financial statements and as other financing uses on the Board's financial statements. Any excess of revenue and other financial sources received over expenditures are remitted to the Board at year end. These excess fees are reported as a liability and as transfers out to the Board or deducted from fees earned for amounts distributed to other governments.

The accounting policies of the Tax Collector conform to accounting principles generally accepted in the United States of America, as applicable to governments.

B. Basis of Presentation – Fund Accounting

Accounts are organized on the basis of fund types, 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 balance, revenues and expenditures as appropriate. Government 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. The Tax Collector utilizes the following fund types:

FRANKLIN COUNTY, FLORIDA - TAX COLLECTOR
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Fund Types

General Fund – The general fund is the general operating fund of the Tax Collector. It is used to account for all financial resources, except for those required to be accounted for in other funds.

Fiduciary Fund Type

Agency Funds – The agency funds are used to account for assets held by the Tax Collector as an agent for individuals, private organizations, and other governments. Agency funds are custodial in nature and do not involve measurement of changes in financial position.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements and relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared using the modified accrual basis of accounting for governmental funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. Expenditures are recorded when the liability is incurred, if measurable, except for principal and interest on long-term obligations which is recorded when due.

The Tax Collector considers receivable collected within 60 days after year end to be available and susceptible to accrual as revenues of the current year. Charges for services and interest earned are susceptible to accrual.

D. Measurement Focus

The accounting and financial reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. This means that generally, only current assets and current liabilities are included in the balance sheet. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they present a summary of sources and uses of “available spendable resources” during a period.

FRANKLIN COUNTY, FLORIDA - TAX COLLECTOR
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgetary Requirements

Florida Statutes, Chapter 195.087 govern the preparation, adoption and administration of the annual budget of the Tax Collector. The budget and subsequent budget amendments of the Tax Collector are submitted to the Florida Department of Revenue (FDOR) for approval. A copy of the budget is also provided to the Board.

Line item expenditures in excess of budget are authorized to the extent that total expenditures do not exceed the total budgeted expenditures. Budget transfers between appropriation categories (personal services, operating expenditures, capital outlay, and debt service) must be approved by FDOR. Transfers between expenditure items within the same appropriation category do not need approval by FDOR. The budget is prepared on the modified accrual basis of accounting. General fund appropriations lapse at the end of the fiscal year to the extent they have not been expended.

F. Capital Assets

Tangible personal property is recorded as expenditures in the general fund at the time an asset is acquired. Title to these assets vests with the Franklin County Board of County Commissioners, and therefore, the Franklin County Board of County Commissioners records the capitalization of the asset, and any related depreciation. The Tax Collector maintains custodial responsibility for the capital assets used by his office.

G. Compensated Absences

Permanent full-time employees of the Tax Collector accrue sick leave hours based on length of employment, which must be utilized in the year earned. Any sick and annual leave accumulated and unused at September 30, is forfeited.

H. Net Assets and Fund Equity

GASB Statement 54 – *Fund Balance Reporting and Governmental Funds Type Definitions* was implemented as of October 1, 2009. This Statement requires the fund balance for governmental funds to be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Categories for fund balance are as follows: nonspendable, restricted, committed, assigned, and unassigned. For more information, see the County-wide note on fund balance.

FRANKLIN COUNTY, FLORIDA - TAX COLLECTOR
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. 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 first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

J. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make use of estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amount of revenues and expenditures during the reporting period. Actual results could differ from estimates.

Property Tax Collections

Chapter 197, Florida Statutes, governs property tax collections.

■ **Current Taxes**

All property taxes become due and payable on November 1, and are delinquent on April 1 of the following year. Discounts of 4%, 3%, 2% and 1% are allowed for early payment in November through February, respectively.

■ **Unpaid Taxes – Sale of Tax Certificates**

The Tax Collector advertises, as required by Florida Statutes, then sells tax certificates on all real property for unpaid taxes. Certificates not purchased are issued to the County. Any person owning real property upon which a tax certificate has been sold may reacquire the real property by paying the Tax Collector the face amount of the tax certificate plus interest and other costs.

**FRANKLIN COUNTY, FLORIDA - TAX COLLECTOR
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS**

SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

■ **Tax Deeds**

The owner of a tax certificate may, after two years when the taxes have been delinquent (after April 1), file an application for tax deed sale. The County, as certificate owner, may exercise similar procedures two years after taxes have been delinquent (after April 1). Tax deeds are issued to the highest bidder for the property, which is sold at public auction. The Tax Collector of the Court administers these sales.

K. Subsequent Events

The County evaluated subsequent events through June 27, 2016, the date which the financial statements were available to be issued. The County did not have any subsequent events requiring disclosure or recording in these financial statements.

NOTE 2 - CASH AND INVESTMENTS

All Tax Collector depositories are banks designated by the State Treasurer as qualified public depositories. Chapter 280, Florida Statutes "Florida Security for Public Deposits Act" provides procedures for public depositories to insure monies in banks and savings and loans are collateralized with the Treasurer as an agent for the public entities. All Tax Collector cash consists of checking accounts and interest-bearing time deposits in a local bank.

Investments

The Tax Collector held no investments at September 30, 2015.

Interest Rate Risk

At September 30, 2015, the Tax Collector did not hold any investments that were considered to be an interest rate risk.

Credit Risk

At September 30, 2015 the Tax Collector did not hold any investments that were considered to be a credit risk.

**FRANKLIN COUNTY, FLORIDA - TAX COLLECTOR
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS**

SEPTEMBER 30, 2015

NOTE 2 - CASH AND INVESTMENTS (continued)

Custodial Risk

At September 30, 2015 the Tax Collector did not hold any deposits or investments that were considered to be a custodial risk.

Concentration of Credit Risk

At September 30, 2015 the Tax Collector did not hold any deposits or investments that were considered to be a credit risk.

NOTE 3 – EMPLOYEE BENEFITS

RETIREMENT PLAN

The Florida Retirement System (FRS) was created by Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the Tax Collector are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Park IV, Florida Statutes, Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two costs-sharing, multiple-employer defined

FRANKLIN COUNTY, FLORIDA - TAX COLLECTOR
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 3 – EMPLOYEE BENEFITS (continued)

benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statement, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site (www.dms.myflorida.com)

Plan Description

The Florida Retirement System Pension Plan (FRS Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

- Regular Class – Members of the FRS who do not qualify for membership in the other classes.
- Elected County Officers Class – Members who hold specified elective offices in local government.
- Senior Management Service Class (SMSC) – Members in senior management level positions.
- Special Risk Class – Members who are special risk employees, such as law enforcement officers, meet the criteria to qualify for this class.

Employees enrolled in the FRS Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the FRS Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the FRS Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Employees enrolled in the FRS Plan may include up to 4 years of credit for military service toward creditable service. The FRS Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The FRS Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

FRANKLIN COUNTY, FLORIDA - TAX COLLECTOR
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 3 – EMPLOYEE BENEFITS (continued)

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the FRS Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided

Benefits under the FRS Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. FRS Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Detailed information about the County's proportionate share of FRS's net pension liability, deferred outflows/inflows of resources, and pension expense are reported in the government-wide statements of the County.

**FRANKLIN COUNTY, FLORIDA - TAX COLLECTOR
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS**

SEPTEMBER 30, 2015

NOTE 3 – EMPLOYEE BENEFITS (continued)

Plan Description

The Retiree Health Insurance Subsidy Program (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided

For the fiscal year ended June 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Detailed information about the County's proportionate share of HIS's net pension liability, deferred outflows/inflows of resources, and pension expense are reported in the government-wide statements of the County.

The Florida State Board of Administration (SBA) administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Tax Collector employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officer, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among

FRANKLIN COUNTY, FLORIDA - TAX COLLECTOR
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 3 – EMPLOYEE BENEFITS (continued)

various approved investment choices. Costs of administering plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members.

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Tax Collector.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these operations. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

Participating employer contributions are based upon statewide rates established by the State of Florida. The Tax Collector's contributions made to the plans during the years ended September 30, 2015, 2014, and 2013 were \$69,986, \$51,230, and \$36,627 respectively, equal to the actuarially determined contribution requirements for each year. Additional information about pension plans can be found in the County's annual financial statements.

FRANKLIN COUNTY, FLORIDA - TAX COLLECTOR
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 4 – RISK MANAGEMENT

The Tax Collector 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 the public; or damage to property of others. The Tax Collector participates in the risk management program through the Franklin County Board of County Commissioners, which uses commercial insurance to cover certain risks from loss.

The Board obtained commercial insurance against losses for the following types of risk:

- Real and personal property damage
- Public employee's bond
- Workers' compensation
- General and automobile liability

COMBINING FINANCIAL STATEMENTS

**FRANKLIN COUNTY, FLORIDA - TAX COLLECTOR
COMBINING STATEMENT OF FIDUCIARY
ASSETS AND LIABILITIES
AGENCY FUNDS**

SEPTEMBER 30, 2015

	<u>Taxes</u>	<u>Tag</u>	<u>Total Agency Funds</u>
Assets:			
Cash and cash equivalents	<u>\$ 325,130</u>	<u>\$ 9,811</u>	<u>\$ 334,941</u>
Liabilities:			
Due to other governments	297,816	9,811	307,627
Installment taxes	26,504	—	26,504
Escrow deposits	<u>810</u>	<u>—</u>	<u>810</u>
Total Liabilities	<u>\$ 325,130</u>	<u>\$ 9,811</u>	<u>\$ 334,941</u>

COMPLIANCE SECTION

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

Tel. (888) 531-6408 • Fax (866) 406-7422

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

To the Honorable James A. Harris, Jr.
Franklin County Tax Collector
Franklin County, Florida

Report on the Financial Statements

We have audited the financial statements (hereinafter referred to as "financial statements") of the general fund and the tax fund of the Office of the Tax Collector of Franklin County, Florida (hereinafter referred to as "Tax Collector"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2016.

Auditors' Responsibility

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 Chapter 10.550, Rules of the Florida Auditor General.

Other Reports

We have issued our Independent Auditors' Report on Internal Control Over financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on Examination of Compliance Requirements in Accordance with Chapter 10.550 Rules of Auditor General. Disclosures in those reports, which are dated June 27, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

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 the extent considered necessary, other than for those comments repeated in the 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*.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554 (1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)4., 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 Tax Collector was established by the Constitution of the State of Florida, Article VIII, Section 1 (d). The Tax Collector has no component units.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the Tax Collector, Franklin County Board of County Commissioners, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.



Vance CPA LLC

June 27, 2016

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

Tel. (888) 531-6408 • Fax (866) 406-7422

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

To the Honorable James A. Harris, Jr.
Franklin County Tax Collector
Franklin County, Florida

We have audited the accompanying special-purpose financial statements of the Franklin County, Florida, Tax Collector, as of and for the year ended September 30, 2015, and have issued our report thereon dated June 27, 2016, which describes that such special-purpose financial statements have been prepared for the purpose of complying with section 218.39, *Florida Statutes*, and Chapter 10.577(3), *Rules of the Auditor General for Local Government Entity Audits*. 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

The management of the Franklin County, Florida Tax Collector is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Tax Collector's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the special-purpose financial statements, but not for the purpose of expressing an opinion on effectiveness of the Tax Collector's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Tax Collector'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. We identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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 following deficiencies to be material weaknesses.

2015-001 (Prior year 2014-001, 13-01, 12-01, 11-01, 10-01 and 09-01) Lack of segregation of duties – Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate. The limited number of employees precludes proper segregation of duties in the Tax Collector's office. We recommend that in the absence of the ability to hire additional employees, that mitigating procedures including additional oversight with regard to certain duties be performed regularly to reduce the risks caused by this lack of segregation of duties.

Management's response – Due to the limited 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 effective internal procedures.

2015-002 (Prior year 2014-002, 13-02, 12-03, 11-03, 10-03 and 09-03) 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. The Tax Collector's response to the finding identified in our audit is included above. We did not audit the Tax Collector's response and accordingly, we express no opinion on them.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tax Collector'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*.

Response to Findings

The Tax Collector's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Tax Collector's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express non opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Tax Collector's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Vance CPA LLC".

Vance CPA LLC

June 27, 2016

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

Tel. (888) 531-6408 • Fax (866) 406-7422

INDEPENDENT AUDITOR'S REPORT ON EXAMINATION OF COMPLIANCE REQUIREMENTS IN ACCORDANCE WITH CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

To the Honorable James A. Harris, Jr.
Franklin County Tax Collector
Franklin County, Florida

We have examined the Office of the Tax Collector of Franklin County, Florida's (hereinafter referred to as the "Tax Collector") compliance with Florida Statute 218.415 in regards to investments for the year ended September 30, 2015.

Management is responsible for the Tax Collector's compliance with those requirements. Our responsibility is to express an opinion on the Tax Collector's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Tax Collector's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Tax Collector's compliance with specified requirements.

In our opinion, the Tax Collector complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

Vance CPA LLC

Vance CPA LLC

June 27, 2016

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**Franklin County, Florida
Property Appraiser**

**Special-Purpose
Financial Statements
September 30, 2015**

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E • Apalachicola, FL 32320
Tel. (888) 531-6408 • Fax (866) 406-7422

**FRANKLIN COUNTY, FLORIDA
PROPERTY APPRAISER
SEPTEMBER 30, 2015**

TABLE OF CONTENTS

Independent Auditor's Report	1
Special-Purpose Financial Statements	
Special-Purpose Balance Sheet – General Fund	3
Special-Purpose Statement of Revenues, Expenditures, and Changes in Fund Balances – General Fund	4
Special-Purpose Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	5
Notes to Special-Purpose Financial Statements	6
Compliance Section	
Independent Auditor's Management Letter	17
Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19
Independent Accountants' Report on Examination of Compliance Requirements in Accordance with Chapter 10.550, <i>Rules of the Auditor General</i>	21

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

Tel. (888) 531-6408 • Fax (866) 406-7422

INDEPENDENT AUDITORS' REPORT

To the Honorable Rhonda Skipper
Franklin County Property Appraiser
Franklin County, Florida

Report on the Financial Statements

We have audited the accompanying fund financial statements of the major fund of the Franklin County, Florida Property Appraiser (the "Appraiser"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Appraiser's fund financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the fund of the Property Appraiser as of September 30, 2015, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements referred to above present only the Franklin County, Florida Property Appraiser and do not purport to, and do not, present fairly the financial position of Franklin County, Florida as of September 30, 2015, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2016 on our consideration of the Appraiser's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Appraiser's internal control over financial reporting and compliance.

Vance CPA LLC

Vance CPA LLC

June 27, 2016

**FRANKLIN COUNTY, FLORIDA
PROPERTY APPRAISER**

**SPECIAL-PURPOSE BALANCE SHEET
GENERAL FUND**

SEPTEMBER 30, 2015

	<u>General Fund</u>
ASSETS	
Accounts receivable, net	\$ _____
Total Assets	<u>_____</u>
LIABILITIES AND FUND BALANCES	
Accounts payable	_____
Total Liabilities	<u>_____</u>
Fund Balances	_____
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ _____</u></u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
PROPERTY APPRAISER**

**SPECIAL-PURPOSE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND**

YEAR ENDED SEPTEMBER 30, 2015

	General Fund
REVENUES	
Other Income	\$ —
Total Revenues	<u>—</u>
EXPENDITURES	
General government	
Current	
Personal services	461,487
Operating expenditures	95,941
Capital outlay	<u>1,912</u>
Total Expenditures	<u>559,340</u>
Excess (deficit) of revenues over (under) expenditures	<u>(559,340)</u>
Other financing sources (uses)	
Transfers from Board of County Commissioners	620,772
Transfers to Board of County Commissioners	<u>(61,432)</u>
Total Other Financing Sources (Uses)	<u>559,340</u>
Net change in fund balances	<u>—</u>
Fund balances - beginning	<u>—</u>
Fund balances - ending	<u><u>\$ —</u></u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
PROPERTY APPRAISER**

**SPECIAL-PURPOSE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL FUND**

YEAR ENDED SEPTEMBER 30, 2015

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Budget Positive</u> <u>(Negative)</u>
REVENUES:				
Other Income	—	—	—	—
Total revenues	—	—	—	—
Expenditures:				
General Government				
Current				
Personal services	494,479	494,479	461,487	32,992
Operating expenditures	125,891	125,891	95,941	29,950
Capital outlay	—	—	1,912	(1,912)
Total expenditures	<u>620,370</u>	<u>620,370</u>	<u>559,340</u>	<u>61,030</u>
Excess (deficit) of revenues over (under) expenditures	<u>(620,370)</u>	<u>(620,370)</u>	<u>(559,340)</u>	<u>61,030</u>
Other financing				
sources (uses)				
Transfers from Board of County Commissioners	620,370	620,370	620,772	402
Transfers to Board of County Commissioners	—	—	(61,432)	(61,432)
Total other financing				
Sources (uses)	<u>620,370</u>	<u>620,370</u>	<u>559,340</u>	<u>(61,030)</u>
Net change in fund balances	—	—	—	—
Fund balances - beginning	—	—	—	—
Fund balances - ending	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA - PROPERTY APPRAISER
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS**

SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Property Appraiser of Franklin County, Florida is an elected Constitutional Officer of Franklin County pursuant to Article VIII, Section (1) of the *Constitution of the State of Florida*. For financial statement and reporting purposes, the Property Appraiser is a separate constitutional officer as provided for by Chapter 218, Florida Statutes. The Property Appraiser is considered to be a part of the primary government of Franklin County, Florida and the financial information is included in Franklin County's county-wide financial statements.

These special-purpose financial statements include only the balances and activity of the Property Appraiser's office. They have been prepared for the purpose of complying with Section 10.557, *Rules of the Auditor General for Local Government Entity audits*, and are not intended to be a complete presentation of the financial position of the County, or the changes in financial position or where applicable, cash flows, thereof, in conformity with accounting principles generally accepted in the United States of America.

The operations of the Property Appraiser are funded by the Franklin County Board of County Commissioners (Board). The receipts from the Board are recorded as other financing sources on the Property Appraiser's financial statements and as other financing uses on the Board's financial statements. Any excess of revenues and other financial sources received over expenditures are remitted to the Board at year end.

The accounting policies of the Property Appraiser conform to accounting principles generally accepted in the United States of America, as applicable to governments.

B. Basis of Presentation – Fund Accounting

Accounts are organized on the basis of fund types, 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 balance, revenues and expenditures as appropriate. Government 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. The Property Appraiser utilizes the following fund types:

**FRANKLIN COUNTY, FLORIDA - PROPERTY APPRAISER
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS**

SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Fund Types

General Fund – The general fund is the general operating fund of the Property Appraiser. It is used to account for all financial resources, except for those required to be accounted for in other funds.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements and relates to the timing of the measurements made, regardless of the measurement focus applied.

The Modified accrual basis of accounting is followed by the general fund. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. Expenditures are recorded when the liability is incurred, except for accumulated sick and vacation pay, which are not recorded until paid. charges for services and investment revenue are recorded as earned.

The Property Appraiser considers receivable collected within 60 days after year end to be available and susceptible to accrual as revenues of the current year. Charges for services and interest earned are susceptible to accrual.

D. Measurement Focus

The accounting and financial reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. This means that generally, only current assets and current liabilities are included in the balance sheet. General fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net fund balance. Accordingly, they present a summary of sources and uses of “available spendable resources” during a period.

E. Budgetary Requirements

Florida Statutes, Chapter 195.087 govern the preparation, adoption and administration of the annual budget of the Property Appraiser. The budget and subsequent budget amendments of the Property Appraiser are submitted to the Florida Department of Revenue (FDOR) for approval. A copy of the budget is also provided to the Board.

**FRANKLIN COUNTY, FLORIDA - PROPERTY APPRAISER
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS**

SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Line item expenditures in excess of budget are authorized to the extent that total expenditures do not exceed the total budgeted expenditures. Budget transfers between appropriation categories (personal services, operating expenditures, capital outlay, and debt service) must be approved by FDOR. Transfers between expenditure items within the same appropriation category do not need approval by FDOR. The budget is prepared on the modified accrual basis of accounting. General fund appropriations lapse at the end of the fiscal year to the extent they have not been expended.

F. Capital Assets

Tangible personal property is recorded as expenditures in the general fund at the time an asset is acquired. Assets acquired by the Property Appraiser are capitalized at cost in the capital asset accounts of the County. The Property Appraiser maintains custodial responsibility for the capital assets used by her office.

G. Compensated Absences

Permanent full-time employees of the Property Appraiser accrue annual leave at the rate of 15 days per year and the leave must be used in the year it's accrued. Annual leave is not permitted to accrue year to year. Upon termination or retirement, employees are entitled to any unused annual leave remaining in a calendar year. Employees are entitled to accrue up to 30 days of sick leave and upon termination or retirement, no compensation is made for sick leave accrual.

H. Net Assets and Fund Equity

GASB Statement 54 – *Fund Balance Reporting and Governmental Funds Type Definitions* was implemented as of October 1, 2009. This Statement requires the fund balance for governmental funds to be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Categories for fund balance are as follows: nonspendable, restricted, committed, assigned, and unassigned. For more information, see the County-wide note on fund balance.

I. 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 - PROPERTY APPRAISER
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS**

SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make use of estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amount of revenues and expenditures during the reporting period. Actual results could differ from estimates.

K. Subsequent Events

The County evaluated subsequent events through June 27, 2016, the date which the financial statements were available to be issued. The County did not have any subsequent events requiring disclosure or recording in these financial statements.

NOTE 2 - CASH AND INVESTMENTS

All Property Appraiser depositories are banks designated by the State Treasurer as qualified public depositories. Chapter 280, Florida Statutes "Florida Security for Public Deposits Act" provides procedures for public depositories to insure monies in banks and savings and loans are collateralized with the Treasurer as an agent for the public entities. All Property Appraiser cash consists of checking accounts and interest-bearing time deposits in a local bank.

Investments

The Property Appraiser held no investments at September 30, 2015.

Interest Rate Risk

At September 30, 2015, the Property Appraiser did not hold any investments that were considered to be an interest rate risk.

Credit Risk

At September 30, 2015 the Property Appraiser did not hold any investments that were considered to be a credit risk.

Custodial Risk

At September 30, 2015 the Property Appraiser did not hold any deposits or investments that were considered to be a custodial risk.

**FRANKLIN COUNTY, FLORIDA - PROPERTY APPRAISER
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS**

SEPTEMBER 30, 2015

NOTE 2 - CASH AND INVESTMENTS (continued)

Concentration of Credit Risk

At September 30, 2015 the Property Appraiser did not hold any deposits or investments that were considered to be a credit risk.

NOTE 3 – EMPLOYEE BENEFITS

RETIREMENT PLAN

The Florida Retirement System (FRS) was created by Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the Property Appraiser are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes, Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two costs-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statement, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site (www.dms.myflorida.com)

Plan Description

The Florida Retirement System Pension Plan (FRS Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

**FRANKLIN COUNTY, FLORIDA - PROPERTY APPRAISER
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS**

SEPTEMBER 30, 2015

NOTE 3 – EMPLOYEE BENEFITS (continued)

- Regular Class – Members of the FRS who do not qualify for membership in the other classes.
- Elected County Officers Class – Members who hold specified elective offices in local government.
- Senior Management Service Class (SMSC) – Members in senior management level positions.
- Special Risk Class – Members who are special risk employees, such as law enforcement officers, meet the criteria to qualify for this class.

Employees enrolled in the FRS Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the FRS Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the FRS Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Employees enrolled in the FRS Plan may include up to 4 years of credit for military service toward creditable service. The FRS Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The FRS Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the FRS Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

**FRANKLIN COUNTY, FLORIDA - PROPERTY APPRAISER
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS**

SEPTEMBER 30, 2015

NOTE 3 – EMPLOYEE BENEFITS (continued)

Benefits Provided

Benefits under the FRS Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. FRS Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Detailed information about the County's proportionate share of FRS's net pension liability, deferred outflows/inflows of resources, and pension expense are reported in the government-wide statements of the County.

Plan Description

The Retiree Health Insurance Subsidy Program (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

**FRANKLIN COUNTY, FLORIDA - PROPERTY APPRAISER
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS**

SEPTEMBER 30, 2015

NOTE 3 – EMPLOYEE BENEFITS (continued)

Benefits Provided

For the fiscal year ended June 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Detailed information about the County's proportionate share of HIS's net pension liability, deferred outflows/inflows of resources, and pension expense are reported in the government-wide statements of the County.

The Florida State Board of Administration (SBA) administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Property Appraiser employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officer, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members.

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS

**FRANKLIN COUNTY, FLORIDA - PROPERTY APPRAISER
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS**

SEPTEMBER 30, 2015

NOTE 3 – EMPLOYEE BENEFITS (continued)

Pension Plan is transferred to the Investment Plan, the member must have the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Property Appraiser.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these operations. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

Participating employer contributions are based upon statewide rates established by the State of Florida. The Property Appraiser's contributions made to the plans during the years ended September 30, 2015, 2014, and 2013 were \$67,279, \$65,421, and \$32,219 respectively, equal to the actuarially determined contribution requirements for each year. Additional information about pension plans can be found in the County's annual financial statements.

NOTE 4 – CHANGES IN LONG-TERM OBLIGATIONS

The Supervisor of Elections is reported as a component of the County's government-wide financial statements as follows:

	<u>Balance</u> <u>09/30/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>09/30/15</u>
Accumulated compensated absences	\$ 3,430	\$ —	\$ (3,430)	\$ —

**FRANKLIN COUNTY, FLORIDA - PROPERTY APPRAISER
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS**

SEPTEMBER 30, 2015

NOTE 4 – CHANGES IN LONG-TERM OBLIGATIONS (continued)

Accrued compensated absences represent the vested portion of accrued vacation, sick leave, and compensatory time. See note 1 for a summary of the Supervisor of Elections' policy regarding compensated absences.

NOTE 5 –RISK MANAGEMENT

The Property Appraiser 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 the public; or damage to property of others. The Property Appraiser participates in the risk management program through the Franklin County Board of County Commissioners, which uses commercial insurance to cover certain risks from loss.

The Board obtained commercial insurance against losses for the following types of risk:

- Real and personal property damage
- Public employee's bond
- Workers' compensation
- General and automobile liability

COMPLIANCE SECTION

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

Tel. (888) 531-6408 • Fax (866) 406-7422

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

To the Honorable Rhonda Skipper
Franklin County Property Appraiser
Franklin County, Florida

Report on the Financial Statements

We have audited the financial statements of the general fund of the Office of the Property Appraiser of Franklin, County, Florida (hereinafter referred to as the "Property Appraiser"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2016.

Auditors' Responsibility

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 Chapter 10.550, Rules of the Florida Auditor General.

Other Reports

We have issued our Independent Auditors' Report on Internal Control Over financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on Examination of Compliance Requirements in Accordance with Chapter 10.550 Rules of Auditor General. Disclosures in those reports, which are dated June 25, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

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 not been taken.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554 (1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)4., 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 Property Appraiser was established by the Constitution of the State of Florida, Article VIII, Section 1 (d). The Property Appraiser has no component units.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the Property Appraiser, Franklin County Board of County Commissioners, and applicable management 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 27, 2016

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

Tel. (888) 531-6408 • Fax (866) 406-7422

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

To the Honorable Rhonda Skipper
Franklin County Property Appraiser
Franklin County, Florida

We have audited the accompanying special-purpose financial statements of each major fund and the aggregate remaining fund information of the Franklin County, Florida, Property Appraiser, as of and for the year ended September 30, 2015, and have issued our report thereon dated June 27, 2016, which describes that such special-purpose financial statements have been prepared for the purpose of complying with section 218.39, *Florida Statutes*, and Chapter 10.577(3), *Rules of the Auditor General for Local Government Entity Audits*. 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 Property Appraiser is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Property Appraiser's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the special-purpose financial statements, but not for the purpose of expressing an opinion on effectiveness of the Property Appraiser's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Property Appraiser'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. We identified 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 following deficiency to be material weakness.

2015-001 (Prior year 2014-001, 13-01, 12-03, 11-03 10-03 and 09-03) 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Property Appraiser'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*.

Response to Findings

The Property Appraiser's response to the findings identified in our audit are included above. The Property Appraiser's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Property Appraiser's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vance CPA LLC

Vance CPA LLC
June 27, 2016

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

Tel. (888) 531-6408 • Fax (866) 406-7422

INDEPENDENT AUDITORS' REPORT ON EXAMINATION OF COMPLIANCE REQUIREMENTS IN ACCORDANCE WITH CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

To the Honorable Rhonda Skipper
Franklin County Property Appraiser
Franklin County, Florida

We have examined the Office of the Property Appraiser' of Franklin County, Florida's (hereinafter referred to as the "Property Appraiser") compliance with Florida Statute 218.415 in regards to investments for the year ended September 30, 2015.

Management is responsible for the Property Appraiser's compliance with those requirements. Our responsibility is to express an opinion on the Property Appraiser's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Property Appraiser's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Property Appraiser's compliance with specified requirements.

In our opinion, the Property Appraiser complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

Vance CPA LLC

Vance CPA LLC

June 27, 2016

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**Franklin County, Florida
Supervisor of Elections**

**Special-Purpose
Financial Statements
September, 30, 2015**

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E • Apalachicola, FL 32320
Tel. (888) 531-6408 • Fax (866) 406-7422

**FRANKLIN COUNTY SUPERVISOR OF ELECTIONS
SEPTEMBER, 30, 2015**

TABLE OF CONTENTS

Independent Auditor's Report	1
Special-Purpose Financial Statements	
Special-Purpose Balance Sheet – General Fund	3
Special-Purpose Statement of Revenues, Expenditures, and Changes in Fund Balances – General Fund	4
Special-Purpose Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	5
Notes to Special-Purpose Financial Statements	6
Compliance Section	
Independent Auditor's Management Letter	17
Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19
Independent Auditors' Report on Examination of Compliance Requirements in Accordance with Chapter 10.550, <i>Rules of the Auditor General</i>	21

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

Tel. (888) 531-6408 • Fax (866) 406-7422

INDEPENDENT AUDITORS' REPORT

To the Honorable Pinki Jackel
Franklin County Supervisor of Elections
Franklin County, Florida

Report on the Financial Statements

We have audited the accompanying fund financial statements of the major fund of the Franklin County, Supervisor of Elections, as of and for the year ended September, 30, 2015, and the related notes to the financial statements, which collectively comprise the Supervisor of Election's fund financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the fund of the Supervisor of Elections as of September, 30, 2015, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements referred to above present only the Franklin County, Florida Supervisor of Elections and do not purport to, and do not, present fairly the financial position of Franklin County, Florida as of September, 30, 2015, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2016 on our consideration of the Supervisor of Election's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Supervisor of Election's internal control over financial reporting and compliance.

Vance CPA LLC

Vance CPA LLC

June 27, 2016

**FRANKLIN COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS**

**SPECIAL-PURPOSE BALANCE SHEET
GENERAL FUND
SEPTEMBER, 30, 2015**

	General Fund
ASSETS	
Prepaid expenditures	\$ _____
Total Assets	_____
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts payable	_____
Total Liabilities	_____
Fund Balances	_____
TOTAL LIABILITIES AND FUND BALANCES	\$ _____

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS**

**SPECIAL-PURPOSE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND**

YEAR ENDED SEPTEMBER, 30, 2015

	<u>General Fund</u>
REVENUES	
Miscellaneous	<u>\$ 4,431</u>
EXPENDITURES	
General government	
Personal services	211,579
Operating expenditures	<u>101,148</u>
Total Expenditures	<u>312,727</u>
Excess (deficit) of revenues over (under) expenditures	<u>(308,296)</u>
Other financing sources (uses)	
Transfers to Board of County Commissioners	(497)
Transfers from Board of County Commissioners	<u>308,793</u>
Total Other Financing Sources (Uses)	<u>308,296</u>
Net change in fund balances	<u>—</u>
Fund balances - beginning	<u>—</u>
Fund balances - ending	<u><u>\$ —</u></u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS**

**SPECIAL-PURPOSE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL FUND**

YEAR ENDED SEPTEMBER, 30, 2015

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Budget Positive</u> <u>(Negative)</u>
Revenues:				
Miscellaneous	\$ —	\$ —	\$ 4,431	\$ 4,431
Expenditures:				
General government				
Current				
Personal services	213,123	213,123	211,579	1,544
Operating expenditures	<u>95,670</u>	<u>95,670</u>	<u>101,148</u>	<u>(5,478)</u>
Total expenditures	<u>308,793</u>	<u>308,793</u>	<u>312,727</u>	<u>(3,934)</u>
Excess (deficit) of revenues over (under) expenditures	<u>(308,793)</u>	<u>(308,793)</u>	<u>(308,296)</u>	<u>497</u>
Other financing sources (uses)				
Transfers to Board of County Commissioners	—	—	(497)	(497)
Transfers from Board of County Commissioners	<u>308,793</u>	<u>308,793</u>	<u>308,793</u>	<u>—</u>
Total other financing Sources (uses)	<u>308,793</u>	<u>308,793</u>	<u>308,296</u>	<u>(497)</u>
Net change in fund balances	—	—	—	—
Fund balances - beginning	—	—	—	—
Fund balances - ending	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

See accompanying notes to the basic financial statements

FRANKLIN COUNTY, FLORIDA - SUPERVISOR OF ELECTIONS
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

SEPTEMBER, 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Supervisor of Elections of Franklin County, Florida is an elected Constitutional Officer of Franklin County pursuant to Article VIII, Section (1) of the *Constitution of the State of Florida*. For financial statement and reporting purposes, the Supervisor of Elections is a separate constitutional officer as provided for by Chapter 218, Florida Statutes. The Supervisor of Elections is considered to be a part of the primary government of Franklin County, Florida and her financial information is included in Franklin County's county-wide financial statements.

These special-purpose financial statements include only the balances and operations of the Supervisor of Elections office. They have been prepared for the purpose of complying with Section 10.557, *Rules of the Auditor General for Local Government Entity Audits*, and are not intended to be a complete presentation of the financial position of the County, or the changes in financial position or where applicable, cash flows, thereof, in conformity with accounting principles generally accepted in the United States of America.

The operations of the Supervisor of Elections are funded by the Board. The receipts from the Board are recorded as other financing sources on the Supervisor of Elections' financial statements and as other financing uses on the Board's financial statements. Any excess of revenues and other financing sources received over expenditures are remitted to the Board at year end.

The accounting policies of the Supervisor of Elections conform to accounting principles generally accepted in the United States of America as applicable to governments.

B. Basis of Presentation

Accounts are organized on the basis of fund types, 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 balance, revenues and expenditures as appropriate. Government 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. The Supervisor of Elections utilizes the following fund type:

FRANKLIN COUNTY, FLORIDA - SUPERVISOR OF ELECTIONS
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

SEPTEMBER, 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Fund Type

General Fund – The general fund is the general operating fund of the Supervisor of Elections. It is used to account for all financial resources, except those required to be accounted for in other funds.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements and relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared using the modified accrual basis of accounting for governmental funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. Expenditures are recorded when the liability is incurred, if measurable, except for principal and interest on long-term obligations which is recorded when due.

The Supervisor of Elections considers receivables collected within 60 days after year end to be available and susceptible to accrual as revenues of the current year. Charges for services and interest earned are susceptible to accrual.

D. Measurement Focus

The accounting and financial reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. The general fund is accounted for on a spending or “financial flow” measurement focus. This means that generally, only current assets and current liabilities are included in the balance sheet. General fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly they present a summary of sources and uses of “available spendable resources” during a period.

FRANKLIN COUNTY, FLORIDA - SUPERVISOR OF ELECTIONS
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

SEPTEMBER, 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgetary Requirements

General governmental revenue and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with the Florida Statutes. An annual budget is prepared by the Supervisor of Elections and adopted by the Board for the general fund. Florida Statutes Chapter 129.201 governs the preparation, adoption, and administration of the Supervisor of election's annual budget.

The Supervisor of Elections' annual budget is monitored at varying levels of classification detail. However, for purposes of budgetary control, expenditures cannot legally exceed the total annual budget appropriations at the individual fund level. All appropriations lapse at year-end.

Budget to actual comparisons are provided in the financial statements for the general fund. All budget amounts presented in the accompanying financial statements have been adjusted for legally authorized amendments of the annual budget for the year. Budgets are prepared on the modified accrual basis of accounting.

F. Cash and Cash Equivalents

The Supervisor of Elections considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

G. Capital Assets

Tangible personal property is recorded as expenditures in the general fund at the time an asset is acquired. Title to these assets vests with the Board of County Commissioners, and the capitalization of the asset and any related depreciation are recorded on the Board's financial statements. The Supervisor of Elections maintains custodial responsibility for the capital assets used by her office.

H. Compensated Absences

Permanent full-time employees of the Supervisor of Elections accrue sick leave and upon termination or retirement are entitled to receive 100% of accrued sick leave pay up to a maximum of 60 days. Employees are entitled to four weeks vacation each year or three

**FRANKLIN COUNTY, FLORIDA - SUPERVISOR OF ELECTIONS
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS**

SEPTEMBER, 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

weeks vacation with one week extra pay in lieu of the fourth week. Upon termination or retirement, an employee is paid 100% of their annual leave up to a maximum of 100 days.

The Supervisor of Elections' accumulated compensated absences are reported in the statement of net position in the County's financial statements.

I. Net Position and Fund Equity

GASB Statement 54 – *Fund Balance Reporting and Governmental Funds Type Definitions* was implemented as of October 1, 2009. This Statement requires the fund balance for governmental funds to be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Categories for fund balance are as follows: nonspendable, restricted, committed, assigned, and unassigned. For more information, see the County-wide note on fund balance.

J. 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.

K. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make use of estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amount of revenues and expenditures during the reporting period. Actual results could differ from estimates.

L. Subsequent Events

The County evaluated subsequent events through June 27, 2016, the date which the financial statements were available to be issued. The County did not have any subsequent events requiring disclosure or recording in these financial statements.

**FRANKLIN COUNTY, FLORIDA - SUPERVISOR OF ELECTIONS
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS**

SEPTEMBER, 30, 2015

NOTE 2 - CASH AND INVESTMENTS

All Supervisor of Elections depositories are banks designated by the State Treasurer as qualified public depositories. Chapter 280, Florida Statutes "Florida Security for Public Deposits Act" provides procedures for public depositories to insure monies in banks and savings and loans are collateralized with the Treasurer as an agent for the public entities. All Supervisor of Elections cash consists of checking accounts and interest-bearing time deposits in a local bank.

The Supervisor of Elections held no investments at September, 30, 2015.

Interest Rate Risk

At September, 30, 2015, the Supervisor of Elections did not hold any investments that were considered to be an interest rate risk.

Credit Risk

At September, 30, 2015, the Supervisor of Elections did not hold any investments that were considered to be a credit risk.

Custodial Risk

At September, 30, 2015, the Supervisor of Elections did not hold any deposits or investments that were considered to be a custodial risk.

Concentration of Credit Risk

At September, 30, 2015, the Supervisor of Elections did not hold any investments that were considered to be a concentration of credit risk.

NOTE 3 - EMPLOYEE BENEFITS

RETIREMENT PLAN

The Florida Retirement System (FRS) was created by Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes,

FRANKLIN COUNTY, FLORIDA - SUPERVISOR OF ELECTIONS
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

SEPTEMBER, 30, 2015

NOTE 3 - EMPLOYEE BENEFITS (continued)

established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the Supervisor of Elections are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes, Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two costs-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statement, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site (www.dms.myflorida.com)

Plan Description

The Florida Retirement System Pension Plan (FRS Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

- Regular Class – Members of the FRS who do not qualify for membership in the other classes.
- Elected County Officers Class – Members who hold specified elective offices in local government.
- Senior Management Service Class (SMSC) – Members in senior management level positions.
- Special Risk Class – Members who are special risk employees, such as law enforcement officers, meet the criteria to qualify for this class.

Employees enrolled in the FRS Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the FRS Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age

FRANKLIN COUNTY, FLORIDA - SUPERVISOR OF ELECTIONS
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

SEPTEMBER, 30, 2015

NOTE 3 - EMPLOYEE BENEFITS (continued)

55 or at any age after 25 years of service. All members enrolled in the FRS Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Employees enrolled in the FRS Plan may include up to 4 years of credit for military service toward creditable service. The FRS Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The FRS Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the FRS Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided

Benefits under the FRS Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an

FRANKLIN COUNTY, FLORIDA - SUPERVISOR OF ELECTIONS
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

SEPTEMBER, 30, 2015

NOTE 3 - EMPLOYEE BENEFITS (continued)

individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. FRS Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Detailed information about the County's proportionate share of FRS's net pension liability, deferred outflows/inflows of resources, and pension expense are reported in the government-wide statements of the County.

Plan Description

The Retiree Health Insurance Subsidy Program (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided

For the fiscal year ended June 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Detailed information about the County's proportionate share of HIS's net pension liability, deferred outflows/inflows of resources, and pension expense are reported in the government-wide statements of the County.

The Florida State Board of Administration (SBA) administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

FRANKLIN COUNTY, FLORIDA - SUPERVISOR OF ELECTIONS
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

SEPTEMBER, 30, 2015

NOTE 3 - EMPLOYEE BENEFITS (continued)

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Supervisor of Elections employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officer, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members.

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Supervisor of Elections.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these operations. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

FRANKLIN COUNTY, FLORIDA - SUPERVISOR OF ELECTIONS
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

SEPTEMBER, 30, 2015

NOTE 3 - EMPLOYEE BENEFITS (continued)

Participating employer contributions are based upon statewide rates established by the State of Florida. The Supervisor of Election's contributions made to the plans during the years ended September 30, 2015, 2014, and 2013 were \$28,041, \$37,935, and \$17,143 respectively, equal to the actuarially determined contribution requirements for each year. Additional information about pension plans can be found in the County's annual financial statements.

NOTE 4 – CHANGES IN LONG-TERM OBLIGATIONS

The Supervisor of Elections is reported as a component of the County's government-wide financial statements as follows:

	<u>Balance</u> <u>09/30/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>09/30/15</u>
Accumulated compensated absences	\$ <u>1,129</u>	\$ <u>—</u>	\$ <u>(110)</u>	\$ <u>1,019</u>

Accrued compensated absences represent the vested portion of accrued vacation, sick leave, and compensatory time. See note 1 for a summary of the Supervisor of Elections' policy regarding compensated absences.

NOTE 5 – RISK MANAGEMENT

The Supervisor of elections 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 supervisor of Elections participates in the risk management program through the Franklin County Board of County Commissioners which uses commercial insurance to cover certain risks from loss.

The Board obtained commercial insurance against losses for the following types of risk:

- Real and personal property
- Public employees' bond
- Workers' compensation
- Automobile liability

COMPLIANCE SECTION

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

Tel. (888) 531-6408 • Fax (866) 406-7422

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

To the Honorable Pinki Jackel
Franklin County Supervisor of Elections
Franklin County, Florida

Report on the Financial Statements

We have audited the financial statements of the general fund of the Office of the Supervisor of Elections of Franklin, County, Florida (hereinafter referred to as the "Supervisor of Elections"), as of and for the year ended September, 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2016.

Auditors' Responsibility

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 Chapter 10.550, Rules of the Florida Auditor General.

Other Reports

We have issued our Independent Auditors' Report on Internal Control Over financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on Examination of Compliance Requirements in Accordance with Chapter 10.550 Rules of Auditor General. Disclosures in those reports, which are dated June 27, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

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. No corrective action taken on audit findings.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554 (1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)4., 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 Supervisor of Elections was established by the Constitution of the State of Florida, Article VIII, Section 1 (d). The Supervisor of Elections has no component units.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the Supervisor of Elections, Franklin County Board of County Commissioners, and applicable management 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 27, 2016

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

Tel. (888) 531-6408 • Fax (866) 406-7422

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

To the Honorable Pinki Jackel
Franklin County Supervisor of Elections
Franklin County, Florida

We have audited the accompanying special-purpose financial statements of the Franklin County, Florida, Supervisor of Elections, as of and for the year ended September, 30, 2015, and have issued our report thereon dated June 27, 2016, which describes that such special-purpose financial statements have been prepared for the purpose of complying with section 218.39, *Florida Statutes*, and Chapter 10.577(3), *Rules of the Auditor General for Local Government Entity Audits*. 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 Supervisor of Elections is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Supervisor of Election's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the special-purpose financial statements, but not for the purpose of expressing an opinion on effectiveness of the Supervisor of Election's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Supervisor of Election'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. We identified 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 following deficiencies to be material weaknesses.

15-001 (Prior year 14-001, 13-01, 12-01, 11-01, 10-01 and 09-01) Lack of segregation of duties – Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate. The limited number of employees precludes proper segregation of duties in the Supervisor of Election's office. We recommend that in the absence of the ability to hire additional employees, that mitigating procedures including additional oversight with regard to certain duties be performed regularly to reduce the risks caused by this lack of segregation of duties.

Management's response – Due to the limited 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 effective internal procedures.

15-002 (Prior year 14-002, 13-02, 12-03, 11-03, 10-03 and 09-03) 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Supervisor of Election'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*.

Response to Findings

The Supervisor of Election's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Supervisor of Election's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Supervisor of Election's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vance CPA LLC

Vance CPA LLC
June 27, 2016

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

Tel. (888) 531-6408 • Fax (866) 406-7422

INDEPENDENT AUDITORS' REPORT ON EXAMINATION OF COMPLIANCE REQUIREMENTS IN ACCORDANCE WITH CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

To the Honorable Pinki Jackel
Franklin County Supervisor of Elections
Franklin County, Florida

We have examined the Office of the Supervisor of Elections' of Franklin County, Florida's (hereinafter referred to as the "Supervisor of Elections") compliance with Florida Statute 218.415 in regards to investments for the year ended September, 30, 2015.

Management is responsible for the Supervisor of Elections' compliance with those requirements. Our responsibility is to express an opinion on the Supervisor of Elections' compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Supervisor of Elections' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Supervisor of Elections' compliance with specified requirements.

In our opinion, the Supervisor of Elections complied, in all material respects, with the aforementioned requirements for the year ended September, 30, 2015.

Vance CPA LLC

Vance CPA LLC

June 27, 2016

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**Hospital Fund
of Franklin County, Florida**

**Special-Purpose
Financial Statements
September 30, 2015**

Vance CPA, LLC
Certified Public Accountants
219-B Avenue E • Apalachicola, FL 32320
Tel. (888) 531-6408 Fax (866) 406-7422

TABLE OF CONTENTS

FRANKLIN COUNTY, FLORIDA HOSPITAL FUND

For the Year Ended September 30, 2015

Table of Contents

Independent Auditors' Report	1
Special-Purpose Financial Statements	
Special-Purpose Statement of Net Position	3
Special-Purpose Statements of Revenues, Expenses, and Changes in Net Position	5
Special-Purpose Statement of Cash Flows	6
Notes to Special-Purpose Financial Statements	8
Compliance Section	
Report on Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	15
Schedule of Findings and Responses	17
Schedule of Prior Year Findings	18

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

(888) 531-6408 • Fax (866) 406-7422

INDEPENDENT AUDITORS' REPORT

Board of Directors
George E. Weems Memorial Hospital
Franklin County, Florida
Apalachicola, Florida

Report on the Financial Statements

We have audited the accompanying special-purpose financial statements of the Hospital Fund of Franklin County, Florida Hospital, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of September 30, 2015, and the respective changes in financial position, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America..

Basis of Accounting

As discussed in note-1, the special-purpose financial statements present only the Hospital Fund and do not purport to, and do not, present fairly the financial position of Franklin County, Florida as of September 30, 2015, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2016, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Restriction on Use

This report is intended solely for the information and use of the Hospital, it's management, the Board of County Commissioners of Franklin County, Florida, and the State of Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Apalachicola, FL
February 25, 2016



Vance CPA, LLC

**FRANKLIN COUNTY, FLORIDA
HOSPITAL FUND
Special-Purpose Statement of Net Position – Proprietary Fund**

For the Year Ended September 30, 2015

ASSETS

Current Assets

Cash and cash equivalents	\$ 280,683
Accounts receivable (net of allowance for doubtful accounts)	1,716,992
Due from other funds	173,763
Prepaid expenses	15,699
Other current assets	<u>5,500</u>

Total current assets 2,192,637

Noncurrent Assets

Capital assets

Land	13,400
Buildings	1,594,815
Equipment and furniture	2,123,587
Construction in progress	<u>494,885</u>
Total capital assets	4,226,687
Less accumulated depreciation	<u>(1,770,407)</u>

**Net capital assets (net of
accumulated depreciation)** 2,456,280

Total Assets **\$ 4,648,917**

The accompanying notes are an integral part of these financial statements.

**FRANKLIN COUNTY, FLORIDA
HOSPITAL FUND**

Special-Purpose Statement of Net Position – Proprietary Fund (continued)

For the Year Ended September 30, 2015

LIABILITIES

Current Liabilities

Accounts payable	\$ 659,925
Accrued liabilities	160,380
Compensated absences - current	28,172
Leases payable - current	<u>27,787</u>

Total current liabilities 876,264

Noncurrent Liabilities

Compensated absences	112,690
Leases payable	<u>16,212</u>
Total noncurrent liabilities	<u>128,902</u>

Total Liabilities 1,005,166

Net Position:

Net investment in capital assets	2,412,281
Unrestricted	<u>1,231,470</u>

Total Net Position \$ 3,643,751

The accompanying notes are an integral part of these financial statements.

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION – PROPRIETARY FUND**

HOSPITAL FUND OF FRANKLIN COUNTY, FLORIDA

For the Year Ended September 30, 2015

Operating Revenues

Net patient service revenue	\$ 5,875,662
Other	<u>486,547</u>

Total operating revenues 6,362,209

Operating expenses

Employee leasing	4,061,044
Advertising	65,857
Licenses and permits	9,587
Professional services	945,894
Training and development	8,344
Insurance	669,374
Other contract services	814,227
Other patient care related costs	179,686
Repairs and maintenance	119,426
Minor equipment	77,780
Supplies	91,904
Clinical supplies	572,679
Travel	33,920
Communications	54,792
Utilities	162,821
Other current charges	242,668
Depreciation	<u>210,867</u>

Total operating expenses 8,320,870

Operating Income (loss) (1,958,661)

Nonoperating revenues (expense)

Transfers in	1,608,981
Loss on disposal of capital assets	(315,492)
Interest income	1,504
Operating contributions and grants	491,804
Interest expense	<u>(1,762)</u>

Total Nonoperating revenue (expense) 1,785,035

Change in net position (173,626)

Net position, beginning of year 3,817,377

Net position, end of year \$ 3,643,751

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS – PROPRIETARY FUND

HOSPITAL FUND OF FRANKLIN COUNTY, FLORIDA

For the Year Ended September 30, 2015

Operating activities

Receipts from customers	\$ 5,984,795
Payments to suppliers and others	(4,058,938)
Payments to employees	<u>(4,059,674)</u>

Net cash used in operating activities (2,133,817)

Noncapital financing activities

Contributions and grants	491,804
Transfers in	<u>1,608,981</u>
Net cash provided by noncapital financing activities	<u>2,100,785</u>

Capital and related financing activities

Acquisition of capital assets	(109,306)
Payments on long-term debt	(112,900)
Interest paid on long-term debt	<u>(1,762)</u>

Net cash used in capital and related financing activities (223,968)

Investing activities

Interest received	<u>1,504</u>
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Net cash provided by investing activities 1,504

Net increase in cash and cash equivalents (255,496)

Cash and cash equivalents, beginning 536,179

Cash and cash equivalents, ending \$ 280,683

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS – PROPRIETARY FUND (continued)

HOSPITAL FUND OF FRANKLIN COUNTY, FLORIDA

For the Year Ended September 30, 2015

**Reconciliation of operating income (loss) to net
cash used in operating activities**

Operating income (loss)	<u>\$ (1,958,661)</u>
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**Adjustments to reconcile operating income (loss) to net
cash used in operating activities**

Depreciation expense	210,867
(Increase) decrease in	
Accounts receivable (net)	(377,414)
Due from other funds	88,402
Prepaid expenses	(36,693)
Other current assets	(5,500)
(Increase) decrease in	
Compensated absences	1,096
Accounts payable	(59,350)
Accrued liabilities	<u>3,436</u>
Total adjustments	<u>(175,156)</u>

Net cash used in operating activities	<u><u>\$ (2,133,817)</u></u>
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The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

HOSPITAL FUND OF FRANKLIN COUNTY, FLORIDA

For the Year Ended September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Hospital operates as a proprietary fund and applies all applicable Governmental Accounting Standards Board (GASB) pronouncements. A Proprietary type fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Hospital exercises oversight responsibility through designation of management, budgetary review and approval, and financial management.

Reporting Entity

Activity and financial position of the George E. Weems Memorial Hospital (the Hospital) makes up the hospital fund which is an enterprise fund of Franklin County, Florida.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accompanying special-purpose financial statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Revenues are reported when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. There were no entities that required inclusion as component units within the Hospital's Special-Purpose Financial Statements.

Proprietary funds distinguish operating revenues and expenses from Nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Hospital is charges to customers for medical services. Operating expenses include the cost of services and supplies, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of Estimates

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

NOTES TO THE FINANCIAL STATEMENTS

HOSPITAL FUND OF FRANKLIN COUNTY, FLORIDA

For the Year Ended September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

The Hospital considers certificates of deposit and other highly liquid debt instruments with initial maturities of three months or less to be cash equivalents.

Capital Assets

It is the Hospital's policy to capitalize property and equipment over \$5,000. Lesser amounts are expensed. Property and equipment is valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Depreciation of fixed assets is charged as an expense against operations. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. The useful lives are generally as follows:

Buildings	40 Years
Equipment and furniture	3-10 Years

Use of Restricted Assets

It is generally the practice of the Hospital to utilize restricted net position before unrestricted net position when possible.

Subsequent Events

The Hospital evaluated subsequent events through February 25, 2016, the date which the financial statements were available to be issued. A possible legal issue has arisen as having a potential material risk of loss. No action has yet been filed. The amount of any potential loss has not yet been determined.

NOTE 2 – CASH AND INVESTMENTS

All Hospital depositories are banks designated by the State Treasurer as qualified public depositories. Chapter 280, Florida Statutes "Florida Security for Public Deposits Act" provides procedures for public depositories to insure monies in banks and savings and loans are collateralized with the Treasurer as an agent for the public entities. All Hospital cash consists of checking accounts and interest-bearing time deposits in a local bank.

The Hospital held no investments at September 30, 2015

NOTES TO THE FINANCIAL STATEMENTS

HOSPITAL FUND OF FRANKLIN COUNTY, FLORIDA

For the Year Ended September 30, 2015

NOTE 2 – CASH AND INVESTMENTS – (continued)

Interest Rate Risk

At September 30, 2015, the Hospital did not hold any investments that were considered to be an interest rate risk.

Credit Risks

At September 30, 2015, the Hospital did not hold any investments that were considered to be a credit risk.

Custodial Risk

At September 30, 2015, the Hospital did not hold any deposits or investments that were considered to be a custodial risk.

Concentration of Credit Risk

At September 30, 2015, the Hospital did not hold any investments that were considered to be a concentration of credit risk.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable are shown at their net realizable value and include amounts due from customers for medical services served by the Hospital as follows:

September 30, 2015

Accounts receivable	\$ 3,576,315
Less allowance for doubtful accounts	(1,859,323)
Accounts receivable, net	<u>\$ 1,716,992</u>

Accounts receivable are recorded based upon medical services provided. An allowance for doubtful accounts is established for estimated amounts not expected to be collected.

NOTES TO THE FINANCIAL STATEMENTS

HOSPITAL FUND OF FRANKLIN COUNTY, FLORIDA

For the Year Ended September 30, 2015

NOTE 4— CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2015, was as follows:

	<u>Balance</u> <u>09/30/14</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Balance</u> <u>09/30/15</u>
Proprietary Fund				
Capital assets not being depreciated				
Construction in progress	\$ 810,377	\$ —	\$ (315,492)	\$ 494,885
Land	<u>13,400</u>	<u>—</u>	<u>—</u>	<u>13,400</u>
Total capital assets, not being depreciated	<u>823,777</u>	<u>—</u>	<u>(315,492)</u>	<u>508,285</u>
Capital assets being depreciated:				
Buildings	1,594,815	—	—	1,594,815
Equipment and furniture	<u>1,940,621</u>	<u>182,966</u>	<u>—</u>	<u>2,123,587</u>
Total capital assets being depreciated	3,535,436	182,966	—	3,718,402
Less accumulated depreciation	<u>1,559,540</u>	<u>210,867</u>	<u>—</u>	<u>1,770,407</u>
Total capital assets, being depreciated, net	<u>1,975,896</u>	<u>(27,901)</u>	<u>—</u>	<u>1,947,995</u>
Total capital assets, net	<u>\$ 2,799,673</u>	<u>\$ (27,901)</u>	<u>\$ (315,492)</u>	<u>\$ 2,456,280</u>

NOTES TO THE FINANCIAL STATEMENTS

HOSPITAL FUND OF FRANKLIN COUNTY, FLORIDA

For the Year Ended September 30, 2015

NOTE 5 – NONCURRENT LIABILITIES

Noncurrent liabilities of the Hospital for the year ended September 30, 2015, were as follows:

	<u>Balance September 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2015</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 August 2015.	\$ 32,141	\$ —	\$ (32,141)	\$ —	\$ —
Office of Tourism, Trade, and Economic Development – Loan #2 payable in quarterly payments of \$10,714 plus interest at 3%. Matures in May 2015.	42,859	—	(42,859)	—	—
Med One Capital Funding, LLC Pharmacy dispenser lease payable in monthly payments of \$2,316 including interest at 0%.	78,729	—	(34,730)	43,999	27,787
Dell Computer Leasing – payable \$271 monthly including interest at 9.5%. Matures March 2017.	3,170	—	(3,170)	—	—
Liability for compensated absences	<u>139,492</u>	<u>1,370</u>	<u>—</u>	<u>140,862</u>	<u>28,172</u>
Total	<u>\$ 296,391</u>	<u>\$ 1,370</u>	<u>\$ (112,900)</u>	<u>\$ 184,861</u>	<u>\$ 55,959</u>

Future debt service requirements on noncurrent liabilities are summarized below:

	<u>Pharmacy Dispenser</u>		
<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 27,787	\$ —	\$ 27,787
2017	<u>16,212</u>	<u>—</u>	<u>16,212</u>
Total	<u>\$ 43,999</u>	<u>\$ —</u>	<u>\$ 43,999</u>

The carrying value of the equipment under capital lease net of accumulated depreciation was \$106,206 as of September 30, 2015.

NOTES TO THE FINANCIAL STATEMENTS

HOSPITAL FUND OF FRANKLIN COUNTY, FLORIDA

For the Year Ended September 30, 2015

NOTE 6 – EMPLOYEE LEASE

On July 20, 2010, the Hospital entered into an agreement with Fortune Business Solutions to provide employees for the Hospital. Under the agreement, Fortune Business Solutions is the employer of all persons working at the Hospital. The Hospital reimburses Fortune Business Solutions for all wages and management fees associated with the lease. The agreement automatically renews each year unless written notice is provided 60 days prior to the beginning of the next term.

Employee leasing costs totaled \$4,061,044 for the year ended September 30, 2015.

NOTE 7 – RISK MANAGEMENT

The Hospital is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; and natural disasters for which the government carries commercial insurance. Insurance against losses are provided for the following types of risk:

- General and automobile liability
- Real and personal property damage
- Public officials' liability

NOTE 8 – CONTINGENT LIABILITIES

The hospital is involved in various litigation arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel these matters will be resolved without a material adverse affect on the Hospital's financial position with exception of a possible action occurring subsequent to year end. The amount of any potential loss has not yet been determined.

COMPLIANCE SECTION

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

(888) 531-6408 • Fax (866) 406-7422

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

Board of Directors

George E. Weems Memorial Hospital

Franklin County, Florida

Apalachicola, Florida

We have audited, in accordance with the 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, the financial statements of the Hospital Fund of Franklin County, Florida, as of and for the year ended, September 30, 2015, and the related notes to the financial statements, which collectively comprise the Hospital Fund of Franklin County, Florida's special-purpose financial statements and have issued our report thereon dated February 25, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital Fund of Franklin County, Florida's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital Fund of Franklin County, Florida's internal control.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital Fund of Franklin County, Florida's special-purpose financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Apalachicola, FL
February 25, 2016



Vance CPA, LLC

**FRANKLIN COUNTY, FLORIDA
HOSPITAL FUND
Summary Schedule of Current Year Audit Findings and Responses**

For the Year Ended September 30, 2015

NONE.

**FRANKLIN COUNTY, FLORIDA
HOSPITAL FUND
Summary Schedule of Prior Year Findings**

For the Year Ended September 30, 2015

13-01 Significant Adjustments Required

Corrected.

14-01 Mis-posting of Revenue

Corrected.