

Franklin County, Florida

Annual Financial Report
September 30, 2018

Vance CPA, LLC

Certified Public Accountant

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Noah Lockley, Jr. – District 3

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Sheriff

A. J. Smith

Tax Collector

Rick Watson

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Rhonda Skipper

Supervisor of Elections

Heather Riley

FRANKLIN COUNTY, FLORIDA
SEPTEMBER 30, 2018

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SEPTEMBER 30, 2018

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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, 2018, 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, 2018, and the respective changes in

financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund, and the hospital trust 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 2 CFR Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, 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, 2019, 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 25, 2019

**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 position increased \$851,996 or 1% from September 30, 2017, to September 30, 2018
- During the year ended September 30, 2018, the financial statements show that the County's general fund revenues exceeded expenditures by \$284,940. Also, total expenditures in the general fund were less than budgeted amounts.
- The County's capital assets, net of accumulated depreciation, increased \$1,603,569 which represents an increase of 2% for the year.

Nonfinancial Events

- 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 including: replacement of some exterior windows, updates to the kitchen, ADA renovations to the restrooms, installation of an air conditioning system, and drainage repairs. Last fiscal year the County was awarded an additional historic preservation grant of \$180,000 with a local funding requirement of \$18,000. This funding straightened and leveled the floors and foundation, restored fifteen windows, rebuilt an ADA handicapped access ramp and installed a set of historically accurate front doors. This project was completed in 2018.
- The county received \$374,000 in residential hazard mitigation grant funds from the Florida Division of Emergency Management. With these phase III funds, the County was able to make storm readiness improvements to the homes of an additional seventeen families, twenty four families received assistance in the prior grant cycles. Improvements included roofing replacements/repairs, installation of impact doors, hurricane strapping and storm shutters. This project will help mitigate damage from future storms.
- There are several large ongoing improvement projects at the County Airport in Apalachicola. These projects are 100% funded by state and federal grants. The ongoing projects include designing and constructing a North/South Taxiway, rehabilitation of the existing airfield pavements, and upgrading the storm water sewers. The \$1.1 million dollar airfield lighting project was completed in the current year.
- D.W. Wilson Park in Apalachicola was renovated with assistance through the Florida Department of Environmental Protection's FRDAP Grant Program. The \$50,000 grant award provided funding for a new soccer field, a new football field and a new basketball court.
- Construction has begun on the Federally Funded LAP Bayshore Drive Sidewalk Project. The sidewalk will extend from the intersection of South Bayshore and Island Drive in Eastpoint to North Bayshore and Hickory Dip in Eastpoint. This project will be completed in 2019.

- The Florida Department of Transportation provided a \$1,728,263 grant through the Small County Outreach Program (SCOP) for Mill Road in Carrabelle. This grant allowed for the widening and resurfacing of 1.6 miles of existing roadway and 2.65 miles of new construction of roadway beginning at the intersection of State Road 30. Safety improvements such as re-stripping, shoulder stabilization, culvert replacement/extensions, end treatments, sign replacements and grassing were also done as part of the project. The improvements began at Highway 98 and ended at Burnt Bridge Road. The project was completed in June of 2018 under budget at a total cost of \$1,700,706.
- 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. At September 30, 2018, the balance available in the Health Care Trust Fund for capital improvements is \$3,584,113.
- On Sunday, June 24th, 2018 there was a terrible disaster in Franklin County. Fueled by high winds, a controlled burn got out of control and rapidly swept through nearly 1,000 acres of property in Eastpoint. The wildfire consumed approximately 38 homes, displaced 132 people and the fire moved so quickly that many escaped the blaze with only the clothes on their back. The overwhelming response to this disaster has been remarkable, although the damage and loss will be felt by the community for years to come. The county purchased 24 travel trailers at a cost of \$237,240 which were in transferred to the Capital Area Community Action Agency to be used as emergency housing for the displaced residents. Other non-profit organizations within the county also provided temporary and permanent housing assistance. The county has received a \$2,630,588 Community Development Block Grant (CDBG) from the US Department of Housing and Urban Development to provide permanent housing for 38 families. The homes purchase with the CDBG funds will be arriving sometime in 2019.
- The 2017 gross taxable value of property in Franklin County saw a steady increase of 3.59% over the prior year. This was the fourth year of increasing taxable value since 2006. The County's 2017 gross taxable value as certified by the Franklin County Property Appraiser increased by approximately 63 million dollars from the 2016 certified value. The millage rate remained the same at 6.3065 mills in fiscal year 2017/2018 with budgeted property tax proceeds of \$11,513,485. The budgeted proceeds were \$398,621 more than the budgeted proceeds in fiscal year 2016/2017. The total budgeted positions in the 2017/2018 fiscal year were 170, down from a high in 2006/2007 of 191 budgeted positions. The County gave an across the board salary increase of \$1,000 effective October 1, 2017.

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 2018 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 \$91 million at September 30, 2018, and \$94 million at September 30, 2017.

Franklin County’s Net Position

<u>September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 24,760,271	\$ 23,553,120	\$ 1,465,994	\$ 2,162,967	\$ 26,226,265	\$ 25,716,087
Capital assets, net	<u>94,008,153</u>	<u>92,382,585</u>	<u>2,831,900</u>	<u>2,853,899</u>	<u>96,840,053</u>	<u>95,236,484</u>
Total assets	<u>118,768,424</u>	<u>115,935,705</u>	<u>4,297,894</u>	<u>5,016,866</u>	<u>123,066,318</u>	<u>120,952,571</u>
Deferred Outflows	<u>2,185,810</u>	<u>5,659,019</u>	<u>—</u>	<u>—</u>	<u>2,185,810</u>	<u>5,659,019</u>
Current and other liabilities	1,072,493	1,101,454	1,201,664	1,224,720	2,274,157	2,326,174
Long-term liabilities	<u>32,704,132</u>	<u>28,594,615</u>	<u>—</u>	<u>87,174</u>	<u>32,704,132</u>	<u>28,681,789</u>
Total liabilities	<u>33,776,625</u>	<u>29,696,069</u>	<u>1,201,664</u>	<u>1,311,894</u>	<u>34,978,289</u>	<u>31,007,963</u>
Deferred Inflows	<u>2,389,929</u>	<u>2,005,018</u>	<u>—</u>	<u>—</u>	<u>2,389,929</u>	<u>2,005,018</u>
Net position:						
Net investment in capital assets	92,797,835	91,145,752	2,831,900	2,853,899	95,629,735	93,999,651
Restricted	9,990,357	7,675,440	—	—	9,990,357	7,675,440
Unrestricted	<u>(15,000,512)</u>	<u>(8,927,555)</u>	<u>264,330</u>	<u>851,073</u>	<u>(14,736,182)</u>	<u>(8,076,482)</u>
Total net position	<u>\$ 87,787,680</u>	<u>\$ 89,893,637</u>	<u>\$ 3,096,230</u>	<u>\$ 3,704,972</u>	<u>\$ 90,883,910</u>	<u>\$ 93,598,609</u>

**Franklin County's Statement of Activities
For The Years Ended September 30, 2018 and 2017**

The following schedule summarizes revenues and expenses for the years ended September 30, 2018, and 2017:

Year ended Sept 30,	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program Revenues						
Charges for services	\$ 1,640,055	\$ 1,571,280	\$ 6,401,489	\$ 5,853,565	\$ 8,041,544	\$ 7,424,845
Operating grants and contributions	2,522,121	3,873,560	1,372	256,596	2,523,493	4,130,156
Capital grants and contributions	3,473,781	2,668,835	—	—	3,473,781	2,668,835
General Revenues-						
Property taxes	11,294,014	10,962,586	—	—	11,294,014	10,962,586
Other taxes	7,253,488	7,091,506	—	—	7,253,488	7,091,506
Investment earnings	107,762	67,750	—	—	107,762	67,750
Other	733,505	182,937	—	—	733,505	182,937
Transfers	<u>(2,146,156)</u>	<u>(2,030,353)</u>	<u>2,146,156</u>	<u>2,030,353</u>	<u>—</u>	<u>—</u>
Total revenues	<u>24,878,570</u>	<u>24,388,101</u>	<u>8,549,017</u>	<u>8,140,514</u>	<u>33,427,587</u>	<u>32,528,615</u>
Expenses						
Program activities						
General government	4,404,106	4,030,621	—	—	4,404,106	4,030,621
Public safety	7,693,968	6,845,321	—	—	7,693,968	6,845,321
Physical environment	4,709,912	2,352,743	—	—	4,709,912	2,352,743
Transportation	3,769,625	3,395,315	—	—	3,769,625	3,395,315
Economic environment	415,421	1,380,225	—	—	415,421	1,380,225
Human services	819,707	800,977	—	—	819,707	800,977
Culture and recreation	1,066,373	842,078	—	—	1,066,373	842,078
Court related	1,688,737	1,361,473	—	—	1,688,737	1,361,473
Business-type activities	<u>—</u>	<u>—</u>	<u>8,007,742</u>	<u>8,191,055</u>	<u>8,007,742</u>	<u>8,191,055</u>
Total expenses	<u>24,567,849</u>	<u>21,008,753</u>	<u>8,007,742</u>	<u>8,191,055</u>	<u>32,575,591</u>	<u>29,199,808</u>
Increase (decrease)	<u>\$ 310,721</u>	<u>\$ 3,379,348</u>	<u>\$ 541,275</u>	<u>\$ (50,541)</u>	<u>\$ 851,996</u>	<u>\$ (3,328,807)</u>

Financial Analysis of Individual Funds

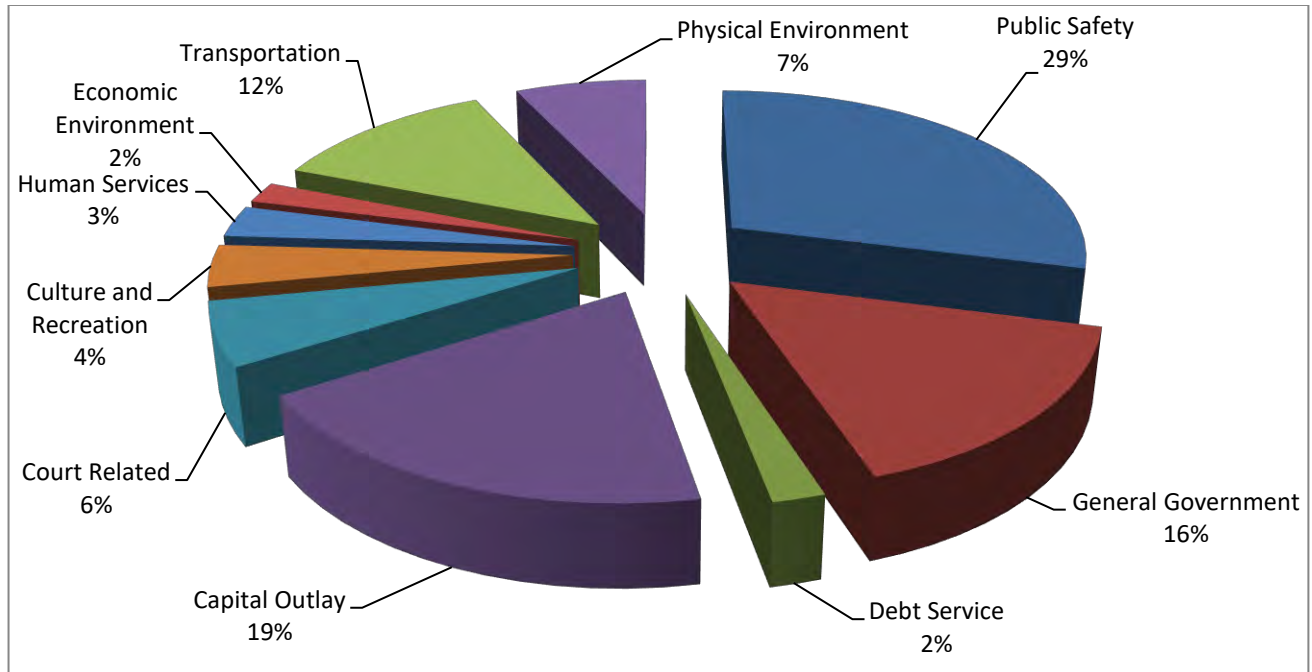
This section provides an analysis of the balances and transactions of individual funds. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 2018, the county's governmental funds reported combined ending fund balances of \$22,927,653. Of this amount, *unassigned fund balance* is \$12,502,259.

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 \$398,358. 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

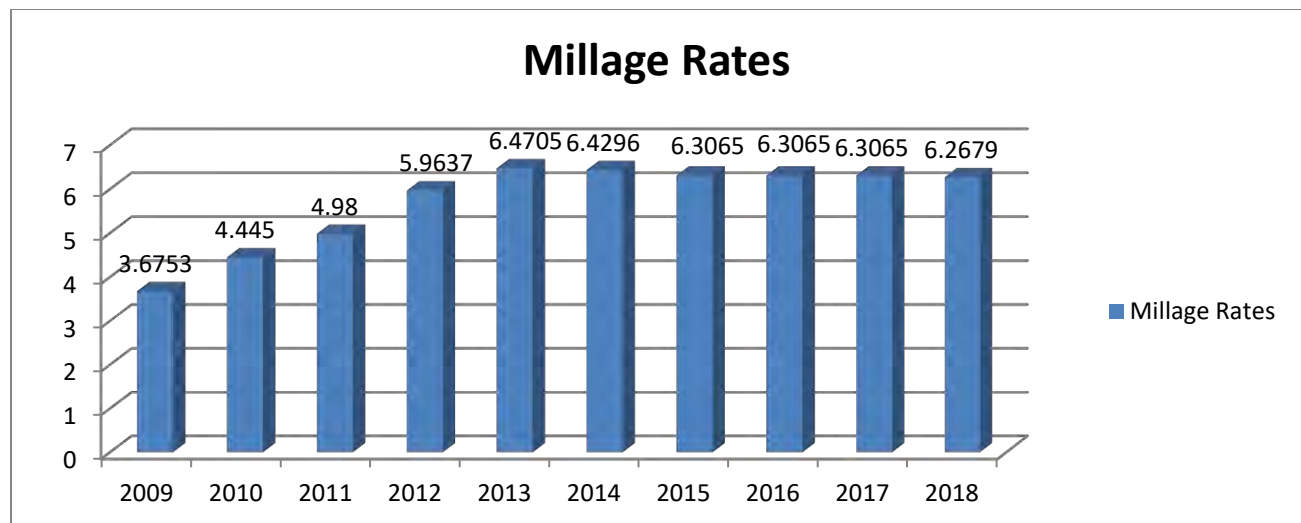
Below is a summary of the large projects that are still in progress at the end of the current fiscal year (many of these projects will take longer than one fiscal year to complete), large capital asset purchases during the year, and long-term debt status update.

- In February of 2018, the County entered into a 13 month lease/purchase agreement for (2) 2018 Mack GU813 Dump Trucks \$295,000. The county owns the trucks for 13 months total for an annual lease payment of \$15,000 each. At the end of the 13 months, vendor Capital Truck accepts the two trucks back in trade-in and replaces the trucks with the next year’s model and a new lease is executed with the same terms. As the arrangement is 13 months, it is considered to be new long-term debt although it is a revolving lease/purchase program.
- In March of 2018, the Tourist Development Council approved an additional payment to principal of \$100,000 towards the Olan Buddy Ward Seafood Landing Park and Maritime Museum property. This additional payment to principal reduced the outstanding balance at September 30, 2018 to \$500,937.
- The County paid off two outstanding debts in 2018 relative to the acquisitions of a 2014 John Deere 514 Loader for the Solid Waste Department and a 2016 Ford Expedition for the Emergency Management Department.

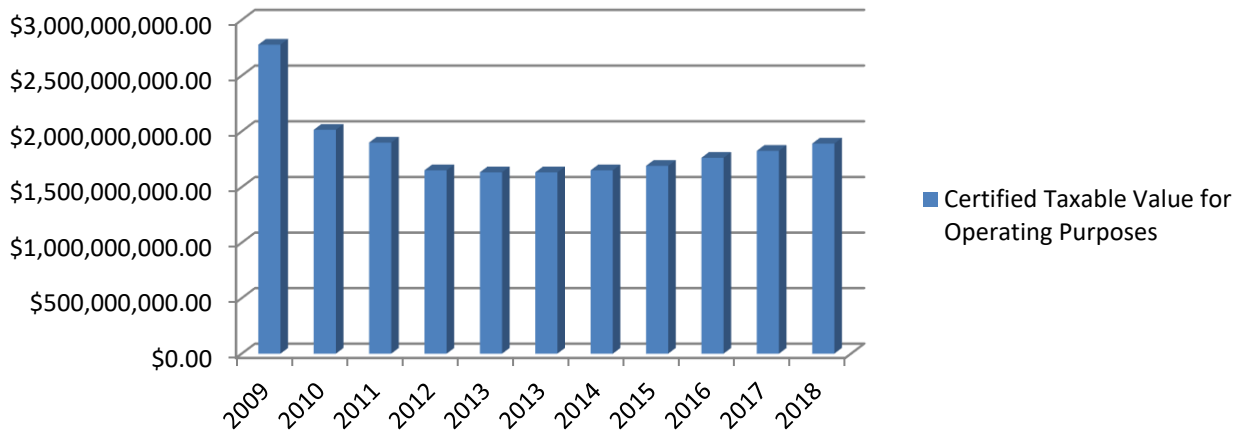
Significant Economic Factors

Taxable Value of Property and Millage Rates

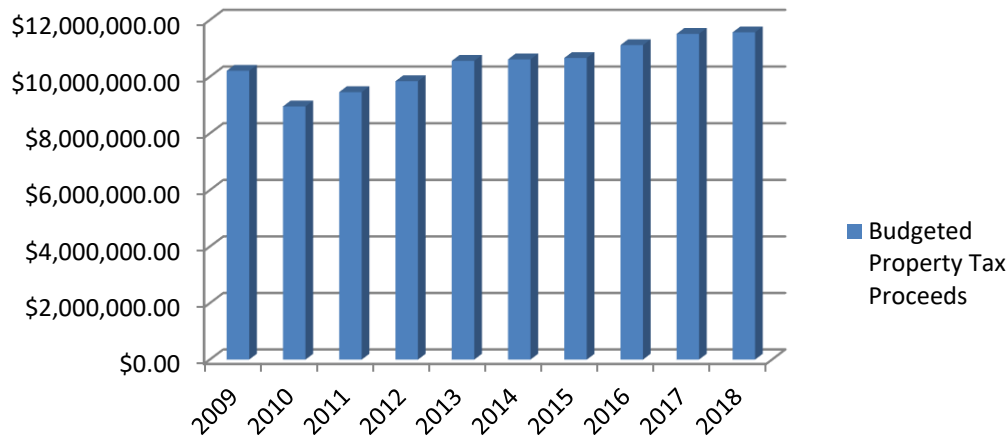
The County received approximately \$11.115 million in property taxes based on the certified taxable value of property in Franklin County. This represents an increase from the prior year of \$317,757 and is a result of an increase in the taxable value of new construction in the County.



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, 2018**

	Primary Government		
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and Cash Equivalents	\$ 19,201,714	\$ 756,801	\$ 19,958,515
Equity in pooled cash	2,185,066	—	2,185,066
Accounts receivable, net	48,840	1,018,483	1,067,323
Notes receivable	804,971	—	804,971
Internal balances	374,381	(374,381)	—
Prepaid expenses	23,395	65,091	88,486
Due from other governments	2,121,904	—	2,121,904
Non-Depreciable Capital Assets	9,169,609	13,400	9,183,009
Depreciable Capital Assets, Net	84,838,544	2,818,500	87,657,044
Total Assets	<u>118,768,424</u>	<u>4,297,894</u>	<u>123,066,318</u>
DEFERRED OUTFLOWS			
Employee Pension Contributions	5,185,810	—	5,185,810
Total Deferred Outflows	<u>5,185,810</u>	<u>—</u>	<u>5,185,810</u>
LIABILITIES			
Accounts payable	434,282	1,091,873	1,526,155
Due to other governments	242,059	—	242,059
Long-term liabilities			
Customer deposits	4,000	—	4,000
Due within one year			
Accrued compensated absences	154,854	109,791	264,645
Notes and leases payable	237,298	—	237,298
Due in more than one year			
Accrued compensated absences	464,563	—	464,563
Notes and leases payable	973,020	—	973,020
Net OPEB obligation	15,926,021	—	15,926,021
Landfill closure liability	3,044,550	—	3,044,550
Net pension liability	12,295,978	—	12,295,978
Total Liabilities	<u>33,776,625</u>	<u>1,201,664</u>	<u>34,978,289</u>
DEFERRED INFLOWS			
Grant funds	692,484	—	692,484
Employee pension contributions	1,697,445	—	1,697,445
Total Deferred Inflows	<u>2,389,929</u>	<u>—</u>	<u>2,389,929</u>
NET POSITION			
Net investment in capital assets	92,797,835	2,831,900	95,629,735
Restricted	9,990,357	—	9,990,357
Unrestricted	(15,000,512)	264,330	(14,736,182)
Total Net Position	<u>\$ 87,787,680</u>	<u>\$ 3,096,230</u>	<u>\$ 90,883,910</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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	\$ 4,404,106	\$ 141,894	\$ 175,452	\$ —	\$(4,086,760)	\$ —	\$ (4,086,760)
Public safety	7,693,968	703,963	531,185	—	(6,458,820)	—	(6,458,820)
Physical environment	4,709,912	604,224	895,593	—	(3,210,095)	—	(3,210,095)
Transportation	3,769,625	68,458	315,091	3,026,490	(359,586)	—	(359,586)
Economic environment	415,421	—	47,962	—	(367,459)	—	(367,459)
Human services	819,707	840	39,181	—	(779,686)	—	(779,686)
Culture and recreation	1,066,373	27,566	118,034	447,291	(473,482)	—	(473,482)
Court related	1,688,737	93,110	399,623	—	(1,196,004)	—	(1,196,004)
Total Governmental Activities	<u>24,567,849</u>	<u>1,640,055</u>	<u>2,522,121</u>	<u>3,473,781</u>	<u>(16,931,892)</u>	<u>—</u>	<u>(16,931,892)</u>
Business-Type Activities							
Hospital	<u>8,007,742</u>	<u>6,401,489</u>	<u>1,372</u>	<u>—</u>	<u>—</u>	<u>(1,604,881)</u>	<u>(18,536,773)</u>
Total Primary Government	<u>\$32,575,591</u>	<u>\$ 8,041,544</u>	<u>\$ 2,523,493</u>	<u>\$ 3,473,781</u>	(16,931,892)	(1,604,881)	<u>(18,536,773)</u>
General Revenues:							
Property tax					11,294,014	—	11,294,014
Local Option Sales					3,458,555	—	3,458,555
Sales tax and other shared revenues					3,497,354	—	3,497,354
Local option gas tax					297,579	—	297,579
Investment earnings					107,762	—	107,762
Miscellaneous					733,505	—	733,505
Transfers					<u>(2,146,156)</u>	<u>2,146,156</u>	<u>—</u>
Total General Revenues					<u>17,242,613</u>	<u>2,146,156</u>	<u>19,388,769</u>
Changes in Net Position					<u>310,721</u>	<u>541,275</u>	<u>851,996</u>
Net Position – Beginning of Year as originally stated					89,893,637	3,704,972	93,598,609
Restatement Note 17					<u>(2,416,678)</u>	<u>(1,150,017)</u>	<u>(3,566,695)</u>
Net Position – beginning of year As restated					<u>87,476,959</u>	<u>2,554,955</u>	<u>90,031,914</u>
Net Position – End of Year					<u>\$ 87,787,680</u>	<u>\$ 3,096,230</u>	<u>\$ 90,883,910</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
BALANCE SHEET
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>General</u>	<u>Hospital Trust</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash & cash equivalent	\$11,254,944	\$ 3,584,113	\$ 4,362,657	\$ 19,201,714
Equity in pooled cash	489,627	—	1,695,439	2,185,066
Due from other funds	146,390	690,000	56,866	893,256
Due from other governmental units	1,269,461	333,527	495,818	2,098,806
Accounts receivable, net	48,840	—	—	48,840
Notes receivable	—	—	804,971	804,971
Prepaid expenses	<u>2,396</u>	<u>—</u>	<u>20,999</u>	<u>23,395</u>
Total Assets	<u>\$13,211,658</u>	<u>\$ 4,607,640</u>	<u>\$ 7,436,750</u>	<u>\$ 25,256,048</u>
Liabilities Deferred Inflows & Fund Balances				
Liabilities				
Customer deposits	\$ —	\$ —	\$ 4,000	\$ 4,000
Vouchers payable	199,221	—	235,061	434,282
Due to other governmental units	176,701	—	65,358	242,059
Due to other funds	<u>125,482</u>	<u>316,834</u>	<u>53,461</u>	<u>495,777</u>
Total Liabilities	<u>501,404</u>	<u>316,834</u>	<u>357,880</u>	<u>1,176,118</u>
Deferred Inflows				
Notes receivable	—	—	619,267	619,267
Fines	—	—	916	916
Grant funds	<u>203,194</u>	<u>—</u>	<u>328,900</u>	<u>532,094</u>
Total Deferred Inflows	<u>203,194</u>	<u>—</u>	<u>949,083</u>	<u>1,152,277</u>
Fund Balances				
Nonspendable	2,396	—	20,999	23,395
Restricted	2,405	4,290,806	5,697,146	9,990,357
Assigned	—	—	411,642	411,642
Unassigned	<u>12,502,259</u>	<u>—</u>	<u>—</u>	<u>12,502,259</u>
Total fund Balances	<u>12,507,060</u>	<u>4,290,806</u>	<u>6,129,787</u>	<u>22,927,653</u>
Total Liabilities Deferred Inflows & Fund Balances				
	<u>\$13,211,658</u>	<u>\$ 4,607,640</u>	<u>\$ 7,436,750</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	94,008,153
Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the fund.	(20,800,306)
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.	(8,807,613)
Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds.	<u>459,793</u>
Net position of governmental activities	<u>\$ 87,787,680</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>General</u>	<u>Hospital Trust</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$11,159,136	\$ 2,140,504	1,615,629	14,915,269
Licenses	179,324	—	494,073	673,397
Intergovernmental	3,895,348	—	5,506,571	9,401,919
Fines and forfeitures	4,817	—	64,110	68,927
Charges for services	267,579	—	936,752	1,204,331
Investment earnings and other	<u>374,562</u>	<u>5,989</u>	<u>112,000</u>	<u>492,551</u>
Total Revenues	<u>15,880,766</u>	<u>2,146,493</u>	<u>8,729,135</u>	<u>26,756,394</u>
Expenditures				
Current				
General government	3,920,796	—	385	3,921,181
Public safety	6,287,390	—	636,735	6,924,125
Physical environment	1,247,396	—	334,305	1,581,701
Transportation	250,863	—	2,599,839	2,850,702
Economic environment	56,196	—	232,636	288,832
Human services	576,427	2,483	197,456	776,366
Culture and recreation	992,302	—	—	992,302
Court related	927,311	—	615,185	1,542,496
Capital outlay	1,197,413	—	3,336,283	4,533,696
Debt service	<u>139,732</u>	<u>—</u>	<u>254,168</u>	<u>393,900</u>
Total Expenditures	<u>15,595,826</u>	<u>2,483</u>	<u>8,206,992</u>	<u>23,805,301</u>
Excess (deficit) of revenues over (under) expenditures	<u>284,940</u>	<u>2,144,010</u>	<u>522,143</u>	<u>2,951,093</u>
Other financing sources (uses)				
Transfers in	415,838	—	675,202	1,091,040
Transfers out	(1,277,417)	(1,379,975)	(670,454)	(3,327,846)
Debt proceeds	<u>91,844</u>	<u>—</u>	<u>295,000</u>	<u>386,844</u>
Total other financing sources (uses)	<u>(769,735)</u>	<u>(1,379,975)</u>	<u>299,748</u>	<u>(1,849,962)</u>
Net change in fund balances	(484,795)	764,035	821,891	1,101,131
Fund balances-beginning	<u>12,991,855</u>	<u>3,526,771</u>	<u>5,307,896</u>	<u>21,826,522</u>
Fund balances-ending	<u>\$12,507,060</u>	<u>\$ 4,290,806</u>	<u>\$ 6,129,787</u>	<u>\$ 22,927,653</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, 2018**

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

Net change in fund balances – total governmental funds (page 15)	\$ 1,101,131
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of activities.	2,423,569
Pension contributions are reported as expenditures in the funds while pension expenses is reported in the government-wide statements.	(2,225,392)
Depreciation expense on governmental capital assets included in the governmental activities in the statement of activities.	(798,001)
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. While borrowing is reported as a revenue in the funds and an increase in long term liabilities in the statement of net position.	
Repayment of long term debt	360,279
New borrowings	(386,844)
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>(164,021)</u>
Change in net position of governmental activities	<u>\$ 310,721</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, 2018**

	<u>Budget Original</u>	<u>Budget Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Taxes	\$11,565,250	\$11,565,250	\$ 11,159,136	\$ (406,114)
Licenses and permits	180,993	180,993	179,324	(1,669)
Intergovernmental	3,857,278	4,650,999	3,895,348	(755,651)
Fines and forfeitures	7,000	7,000	4,817	(2,183)
Charges for services	287,105	283,605	267,579	(16,026)
Miscellaneous revenues	<u>94,859</u>	<u>347,099</u>	<u>374,562</u>	<u>27,463</u>
Total Revenues	<u>15,992,485</u>	<u>17,034,946</u>	<u>15,880,766</u>	<u>(1,154,180)</u>
EXPENDITURES				
Current				
General government	4,649,075	4,718,630	3,920,796	797,834
Public safety	5,804,925	6,292,815	6,287,390	5,425
Physical environment	1,512,750	1,575,145	1,247,396	327,749
Transportation	384,294	384,294	250,863	133,431
Economic environment	62,145	62,145	56,196	5,949
Human services	615,372	615,372	576,427	38,945
Culture and recreation	2,543,375	2,726,525	992,302	1,734,223
Court related	1,492,804	1,866,983	927,311	939,672
Debt Service	127,849	140,700	139,732	968
Capital outlay	<u>1,651,567</u>	<u>2,270,987</u>	<u>1,197,413</u>	<u>1,073,574</u>
Total Expenditures	<u>18,844,156</u>	<u>20,653,596</u>	<u>15,595,826</u>	<u>5,057,770</u>
Excess (deficit) of revenues over (under) expenditures	(2,851,671)	(3,618,650)	284,940	3,903,590
Other financing sources (uses)				
Transfers in	544,685	544,685	415,838	(128,847)
Transfers out	(1,410,562)	(1,351,568)	(1,277,417)	74,151
Debt issuance	—	—	<u>91,844</u>	<u>91,844</u>
Total other financing sources (uses)	<u>(865,877)</u>	<u>(806,883)</u>	<u>(769,735)</u>	<u>37,148</u>
Net change in Fund Balance	(3,717,548)	(4,425,533)	(484,795)	3,940,738
Fund balance - beginning	<u>12,991,855</u>	<u>12,991,855</u>	<u>12,991,855</u>	—
Fund balance - ending	<u>\$ 9,274,307</u>	<u>\$ 8,566,322</u>	<u>\$ 12,507,060</u>	<u>\$ 3,940,738</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
HOSPITAL TRUST
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budget Original</u>	<u>Budget Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Taxes	\$ 2,338,160	\$ 2,338,160	\$ 2,140,504	\$ (197,656)
Miscellaneous revenues	<u>1,000</u>	<u>1,000</u>	<u>5,989</u>	<u>4,989</u>
Total Revenues	<u>2,339,160</u>	<u>2,339,160</u>	<u>2,146,493</u>	<u>(192,667)</u>
EXPENDITURES				
Current				
Human services	—	—	2,483	(2,483)
Capital outlay	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Expenditures	<u>—</u>	<u>—</u>	<u>2,483</u>	<u>(2,483)</u>
Excess (deficit) of revenues over (under) expenditures	2,339,160	2,339,160	2,144,010	(195,150)
Other financing sources (uses)				
Transfers out	<u>(4,350,515)</u>	<u>(4,350,515)</u>	<u>(1,379,975)</u>	<u>2,970,540</u>
Total other financing sources (uses)	<u>(4,350,515)</u>	<u>(4,350,515)</u>	<u>(1,379,975)</u>	<u>2,970,540</u>
Net changes in fund balance	(2,011,355)	(2,011,355)	764,035	2,775,390
Fund balance – beginning of year	<u>3,526,771</u>	<u>3,526,771</u>	<u>3,526,771</u>	<u>—</u>
Fund balance – End of year	<u>\$ 1,515,416</u>	<u>\$ 1,515,416</u>	<u>\$ 4,290,806</u>	<u>\$ 2,775,390</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

<u>Business-type Activities – Enterprise Fund</u>		<u>Hospital</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$	756,801
Patient accounts receivable, net of estimated uncollectibles of approximately \$1,178,000		724,190
Due from other funds		316,834
Other receivables		294,293
Prepaid expenses		17,052
Supplies		<u>48,039</u>
Total current assets		<u>2,157,209</u>
Noncurrent Assets		
Capital assets		
Land		13,400
Buildings		1,590,309
Equipment and furniture		1,970,706
Construction in progress		<u>1,025,270</u>
Total capital assets		4,599,685
Less accumulated depreciation		<u>(1,767,785)</u>
Net capital assets (net of accumulated depreciation)		<u>2,831,900</u>
Total Assets		<u>\$ 4,989,109</u>
LIABILITIES and Net Position		
Current Liabilities		
Accounts payable	\$	836,589
Accrued compensation and payroll taxes		231,164
Due to other funds		691,215
Estimated third party settlements		24,120
Compensated absences		<u>109,791</u>
Total Liabilities		<u>1,892,879</u>
Net Position:		
Net investment in capital assets		2,831,900
Unrestricted		<u>264,330</u>
Total Net Position		<u>3,096,230</u>
Total Liabilities and Net Position		<u>\$ 4,989,109</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, 2018**

<u>Business-type Activities – Enterprise Fund</u>		<u>Hospital</u>
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts of \$1,619,000		\$ 6,392,538
Other operating revenue		<u>24,820</u>
Total operating revenues		<u>6,417,358</u>
Operating expenses		
Employee leasing		4,221,514
Professional services		831,358
Other contract services		710,810
Insurance		677,844
Clinical supplies		481,662
Depreciation and amortization		196,139
Utilities		180,220
Other current charges		152,228
Minor equipment		135,269
Other patient care related costs		118,068
Licenses, permits and fees		86,221
Repairs and maintenance		71,407
Communications		61,004
Supplies		39,227
Advertising		19,725
Travel		19,474
Training and development		<u>5,572</u>
Total operating expenses		<u>8,007,742</u>
Operating Income (loss)		<u>(1,590,384)</u>
Nonoperating revenues (expenses)		
Interest income		1,998
Noncapital grants and contributions		1,372
Other income		9,710
Loss on disposal of capital assets		(27,552)
Interest expense		<u>(25)</u>
Total nonoperating revenues (expenses)		<u>(14,497)</u>
Loss before transfers		(1,604,881)
Transfers In		<u>2,146,156</u>
Change in net position		<u>541,275</u>
Net position , beginning of year, as originally stated		3,704,972
Restatement (Note 17)		<u>(1,150,017)</u>
Net Position – beginning of year, as restated		<u>2,554,955</u>
Net position , end of year		<u>\$ 3,096,230</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Business-type Activities – Enterprise Fund

	<u>Hospital</u>
Operating activities	
Receipts from and on behalf of patients	\$ 6,395,717
Payments to suppliers and others	(3,838,380)
Payments to and on behalf of leased employees	(4,152,759)
Other receipts (payments), net	<u>34,530</u>
Net cash used in operating activities	<u>(1,560,892)</u>
Noncapital financing activities	
Receipt of noncapital grants and contributions	1,372
Net change in due from other funds	1,215
Interest paid	(25)
Non-capital related transfers in	<u>1,806,236</u>
Net cash provided by noncapital financing activities	<u>1,808,798</u>
Capital and related financing activities	
Purchase of capital assets	(236,946)
Capital related transfers in	<u>189,723</u>
Net cash used in capital and related financing activities	<u>(47,223)</u>
Investing activities	
Interest received	<u>1,998</u>
Net cash provided by investing activities	<u>1,998</u>
Net increase in cash and cash equivalents	202,681
Cash and cash equivalents, beginning	<u>554,120</u>
Cash and cash equivalents, ending	<u><u>\$ 756,801</u></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, 2018

<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>(1,590,384)</u>
Adjustments to reconcile operating income (loss) to net cash used in operating activities	
Depreciation and amortization	196,139
Provision for bad debts	1,619,158
Other nonoperating income	9,710
Changes in:	
Patient accounts receivable	(1,548,392)
Supplies	(24,259)
Prepaid expenses	1,235
Other receivables	125,498
Accounts payable	(229,932)
Accrued compensation and payroll taxes	72,095
Compensated absences	1,245
Estimated third-party settlements	<u>(193,005)</u>
Net cash used in operating activities	<u>\$ (1,560,892)</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, 2018**

Agency Funds

Assets

Cash and cash equivalents \$ 761,206

Total Assets **\$ 761,206**

Liabilities

Due to individuals \$ 327,617

Due to other funds 23,098

Due to other governments 404,719

Due to other Board of County Commissioners 5,772

Total Liabilities **\$ 761,206**

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

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, 2018**

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, 2018**

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, 2018**

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.
- Hospital Trust – This fund is used to account for the sales tax proceeds restricted for use at the county hospital.

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, 2018**

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, 2018**

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, 2018**

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, 2018 was 6.3065 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, 2018**

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 25, 2019, the date which the financial statements were available to be issued.

In October of 2018, Hurricane Michael made landfall as the strongest hurricane on record to hit the Florida Panhandle and the fourth strongest hurricane to ever hit the contiguous United States. The County incurred property and infrastructure damage and its operations were impacted directly for a period of time and will be indirectly impacted for years to come while Franklin County and the surrounding areas continue their recovery efforts. Management is not able to accurately estimate the potential financial impact of Hurricane Michael on the County for the upcoming fiscal years, and any such impacts could be significant.

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

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	\$ 1,210,318
Compensated absences	619,417
Net OPEB obligation	15,926,021
Landfill closing costs	<u>3,044,550</u>
Net adjustment to reduce fund balances – total governmental funds to arrive at net position of governmental activities	<u>\$ 20,800,306</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	\$ 161,454,676
Less: accumulated depreciation	<u>(67,446,523)</u>
Net adjustment to increase fund balances – total governmental funds to arrive at net position of governmental activities	<u>\$ 94,008,153</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>\$ (87,173)</u>
Net adjustment to increase fund balances – total governmental funds to arrive at net position of governmental activities	<u>\$ (87,173)</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	\$ (60,353)
Change in deferred revenue	(459,793)
Change in OPEB liability	538,679
Change in landfill closure liability	<u>(182,554)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position of governmental activities	<u>\$ (164,021)</u>

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

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, 2018.

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, 2018**

NOTE 3 –CASH AND INVESTMENTS (continued)

Interest Rate Risks

At September 30, 2018, 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, 2018, the County held deposits or investments that were considered to be a custodial risk. See below.

Concentration of Credit Risk

At September 30, 2018, the County did not hold any investments that were considered to be a concentration of credit risk.

At September 30, 2018, 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)	\$19,958,515	\$ —	\$ —	\$19,958,515
Local Government Surplus Trust Fund Pool		<u>2,185,066</u>	<u>—</u>	<u>—</u>	<u>2,185,066</u>
Total		<u>\$22,143,581</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$22,143,581</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, 2018 was 35 days.

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 4 –ACCOUNTS RECEIVABLE AND NOTES RECEIVABLE

Accounts receivables at September 30, 2018, consisted of the following:

Governmental Activities - Accounts/Notes Receivable	General	Other Governmental Funds	Total
Accounts receivable	\$ 48,840	\$ —	\$ 48,840
Notes receivable	—	804,971	804,971
(Allowance for doubtful accounts)	—	—	—
Accounts receivable, net	<u>\$ 48,840</u>	<u>\$ 804,971</u>	<u>\$ 853,811</u>
Business-type Activities - Accounts Receivable	Hospital		
Accounts receivable	\$3,276,723		
(Allowance for uncollectible accounts)	(1,177,975)		
(Allowance for adjustments)	<u>(1,374,558)</u>		
Accounts receivable, net	<u>\$ 724,190</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, 2018.

Internal balances at September 30, 2018, consist of the following:

Fund	Interfund Receivables	Interfund Payables
General	<u>\$ 146,390</u>	<u>\$ 125,482</u>
Special revenue		
County road and bridge	25,495	3,281
Fire protection	—	15,212
911 Trust	—	9,479
Landfill	133	1,420
Mosquito control	3,281	1,348
Law enforcement educational trust	153	—
Hospital trust	690,000	316,834
Tourist development	—	—
Local option gas tax	—	5,608
Airport	—	5,952
Clerk's fine and forfeitures	23,457	11,161
Clerk's modernization trust	4,347	—
Total special revenue	<u>746,866</u>	<u>370,295</u>
Agency	—	23,098
Enterprise - Hospital	316,834	691,215
Total	<u>\$ 1,210,090</u>	<u>\$ 1,210,090</u>

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

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	\$ 675,202	Purchase of equipment, and other allowable expenditures
Nonmajor governmental funds	General	506,488	To record the budgeted transfers from the landfill fund and tourist development
Hospital trust	Hospital	1,379,975	Transfer of ½ cent sales tax
General	Hospital	766,181	Transfer for operation of hospital
Total		<u>\$ 3,327,846</u>	

NOTE 6 –CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended September 30, 2018, is as follows:

	<u>September 30, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2018</u>
Capital assets not being depreciated:				
Land	\$ 6,298,241	\$ —	\$ —	\$ 6,298,241
Construction in progress	<u>2,311,261</u>	<u>1,749,862</u>	<u>1,189,755</u>	<u>2,871,368</u>
Total capital assets, not being depreciated	<u>8,609,502</u>	<u>1,749,862</u>	<u>1,189,755</u>	<u>9,169,609</u>
Capital assets being depreciated:				
Buildings	13,882,877	258,397	—	14,141,274
Improvements other than buildings	12,164,165	—	—	12,164,165
Machinery and equipment	15,552,717	673,707	110,497	16,115,927
Infrastructure	<u>108,932,343</u>	<u>931,358</u>	<u>—</u>	<u>109,863,701</u>
Total capital assets being depreciated	<u>150,532,102</u>	<u>1,863,462</u>	<u>110,497</u>	<u>152,285,067</u>
Accumulated depreciation:				
Buildings	5,470,037	71,820	—	5,541,857
Improvements other than buildings	3,929,716	63,840	—	3,993,556
Machinery and equipment	13,705,635	87,780	(110,497)	13,682,918
Infrastructure	<u>43,653,631</u>	<u>574,561</u>	<u>—</u>	<u>44,228,192</u>
Total accumulated depreciation	<u>66,759,019</u>	<u>798,001</u>	<u>(110,497)</u>	<u>67,446,523</u>
Total capital assets being depreciated, net	<u>83,773,083</u>	<u>1,065,461</u>	<u>—</u>	<u>84,838,544</u>
Total governmental-type activities', capital assets, (net of accumulated depreciation)	<u>\$ 92,382,585</u>	<u>\$ 2,815,323</u>	<u>\$ 1,189,755</u>	<u>\$ 94,008,153</u>

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 6 – CAPITAL ASSETS (continued)

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

General Government	\$ 43,706
Court related	8,398
Public safety	84,490
Physical environment	35,483
Transportation	563,923
Economic environment	589
Human services	17,341
Culture and recreation	<u>44,071</u>
Total depreciation expense – governmental activities	<u>\$ 798,001</u>

Capital assets activity for the year ended September 30, 2018, was as follows:

	<u>Restated 10/01/17</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Balance 9/30/18</u>
Proprietary Fund				
Capital assets not being depreciated				
Land	\$ 13,400	\$ —	\$ —	\$ 13,400
Construction in progress	<u>1,025,270</u>	<u>—</u>	<u>—</u>	<u>1,025,270</u>
Total capital assets, not being depreciated	<u>1,038,670</u>	<u>—</u>	<u>—</u>	<u>1,038,670</u>
Capital assets being depreciated:				
Buildings	1,565,030	25,279	—	1,590,309
Equipment and furniture	<u>1,910,196</u>	<u>211,667</u>	<u>(151,157)</u>	<u>1,970,706</u>
Total capital assets being depreciated	3,475,226	236,946	(151,157)	3,561,015
Less accumulated depreciation	<u>(1,695,251)</u>	<u>(196,139)</u>	<u>123,605</u>	<u>(1,767,785)</u>
Total capital assets, being depreciated, net	<u>1,779,975</u>	<u>40,807</u>	<u>(27,552)</u>	<u>1,793,230</u>
Total capital assets, net	<u>\$ 2,818,645</u>	<u>\$ 40,807</u>	<u>\$ (27,552)</u>	<u>\$ 2,831,900</u>

Depreciation expense charged to business-type activities for the year ended September 30, 2018 is \$196,139.

Construction in progress includes cumulative costs of projects not yet placed in service, which at October 1, 2017 and September 30, 2018, primarily included a project, which is still ongoing, related to planning for new hospital facilities. No depreciation was taken on these capitalized costs.

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 7 –LONG-TERM DEBT

Long-term debt of the County’s governmental activities for the year ended September 30, 2018, is as follows:

<u>Notes Payable</u>	<u>Balance September 30, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2018</u>	<u>Due Within One Year</u>
Loan to purchase Lombardi property, payable in monthly payments of \$6,333 including interest at 3.89% Maturing April 2028	656,662	—	155,726	500,936	57,533
Loan to purchase John Deere Loader, payable in annual payments of \$28,880 including interest at 2.29%, maturing August 2019.	45,511	—	45,511	—	—
Loan to purchase Ring Power - Caterpillar M313D Excavator lease payable in annual payments of \$48,168 maturing September 2019.	92,394	—	46,431	45,963	16,406
Loan to purchase 2016 Caterpillar 826K Compactor for Landfill, lease payable in annual payments of \$82,807 Maturing March 2023.	287,076	—	44,499	242,577	45,787
Loan to purchase 2015 Hino Knuckleboom Truck for Landfill, lease payable in annual payments of \$25,998 Maturing April 2020.	73,690	—	23,866	49,824	24,557
Loan to purchase 2016 Ford Expedition For Emergency Mgmt, payable in annual Payments of \$5,323 including interest At 3.00%, maturing October 2020.	19,785	—	19,785	—	—
Loan to purchase new voting Equipment, payable in annual payments of \$14,288 including interest at 3.00% Maturing October 2022.	61,715	—	17,466	44,249	13,124
Loan for purchase of 2 2018 Mack GU813 dump trucks for road dept. Payable \$30,000 first payment, \$74,297 annual pmt Including interest at 4.20% - full maturity May 2022 will rotate with 2 new dump trucks in next fiscal year	—	295,000	26,622	268,378	63,006
Loan for purchase of surveillance equipment. Finance amount \$37,282, payable in quarterly Installments of \$2,666.	—	37,282	5,333	31,949	10,665

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 7 –LONG-TERM DEBT(continued)

Notes Payable	Balance September 30, 2017	Additions	Deductions	Balance September 30, 2018	Due Within One Year
Loan for purchase of 2018 Hisun UTV, finance amt \$27,997 payable I quarterly installments of \$1,555.	—	27,997	1,555	26,442	6,220
Long-term landfill closure and postclosure liability, see note 12	2,861,996	182,554	—	3,044,550	—
Liability for postemployment benefits	16,464,700	—	538,679	15,926,021	—
Liability for compensated absences	559,064	60,353	—	619,417	154,854
Total	<u>\$21,122,593</u>	<u>\$ 603,186</u>	<u>\$ 925,473</u>	<u>\$20,800,306</u>	<u>\$ 392,152</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,	Principle	Interest	Total
2019	\$ 270,736	\$ 42,973	\$ 313,709
2020	228,909	34,184	263,093
2021	202,277	25,778	228,055
2022	194,800	17,932	212,732
2023	118,302	10,502	128,804
2024-26	195,294	10,790	206,084
Total	<u>\$1,210,318</u>	<u>\$ 142,159</u>	<u>\$ 1,352,477</u>

Noncurrent liabilities of the Hospital for the year ended September 30, 2018, were as follows:

	Balance September 30, 2017	Additions	Deductions	Balance September 30, 2018
Liability for compensated absences	\$ 116,232	\$ —	\$ (6,441)	\$ 109,791
Total	<u>\$ 116,232</u>	<u>\$ —</u>	<u>\$ (6,441)</u>	<u>\$ 109,791</u>

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 8- PENSION PLAN

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, Florida are 175 out of total of 518,545 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.

The FRS CAFR and actuarial valuation reports as of July 1, 2018 are available online at http://ww.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

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 8- PENSION PLAN (continued)

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, 2016, 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, 2018, the contribution rate was 1.66% of payroll pursuant to Section 112.363, *Florida Statutes*.

The contributions required for the years ended September 30, 2018, 2017, and 2016 were \$1,010,437, \$1,886,925 and \$1021,920, respectively, which is equal to 100% of the required contribution for each year.

Contributions

The contribution requirements of plan members and the City are established and may be amended by the Florida Legislature. Employees are required to contribute 3% of their salary to FRS. The City’s contribution rates as of September 30, 2018 were as follows:

	FRS	HIS
Regular Class	7.92%	1.66%
Special Risk Class	24.50%	1.66%
Senior Management Service Class	24.06%	1.66%
Elected Officials	48.70%	1.66%
DROP	14.03%	1.66%

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 8- PENSION PLAN (continued)

Net Pension Liability – At September 30, 2018, the City 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, 2018	\$10,116,851	\$2,179,127	\$12,295,978
June 30, 2017	\$10,323,703	\$2,209,218	\$12,532,921

The net pension liability for each plan was determined by the plans' actuary and reported in the plans' valuations dated July 1, 2018 and July 1, 2017 for the net pension liability as of June 30, 2018 and 2017, respectively.

At September 30, 2018, the City 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, 2018	0.033587905%	0.020661452%
June 30, 2017	0.034889772%	0.020588662%
Increase in Share for 2018	(0.001301867)%	0.000072790%

The City's proportionate share of the net pension liability was based on the City's 2017-2018 fiscal year contributions relative to the 2016-2017 fiscal year contributions of all participating members of FRS.

Actuarial Assumptions

The total pension liability for each of the defined benefit plans, measured as of June 30, 2018, was determined by an actuarial valuation dated July 1, 2018, using the individual entry age normal actuarial cost method and the following significant actuarial assumptions:

	<u>FRS</u>	<u>HIS</u>
Inflation	2.60%	2.60%
Salary increases	3.25%	3.25%
Investment rate of return	7.0%	N/A
Discount rate	7.0%	3.87%

Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB.

For both plans, the actuarial assumptions used in the valuation dated July 1, 2016 were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 8- PENSION PLAN (continued)

The following changes in key actuarial assumptions occurred in 2018:

FRS: The long-term expected rate of return was decreased from 7.1% to 7.0%, and the active member mortality assumption was updated.

HIS: The municipal rate used to determine total pension liability was increased from 3.58% to 3.87%.

The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. For the FRS Pension Plan, the table below summarizes the target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class.

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>
Cash	1.00%	2.9%	2.9%
Fixed Income	18.00%	4.4%	4.3%
Global Equity	54.00%	7.6%	6.3%
Real Estate (Property)	11.00%	6.6%	6.0%
Private Equity	10.00%	10.7%	7.8%
Strategic Investments	6.00%	6.0%	5.7%
Total	<u>100.00%</u>		

Discount Rate

The discount rate used to measure the total pension liability for the FRS Pension Plan was 7.0%. FRS fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program is essentially funded on a pay-as-you-go basis, a municipal bond rate of 3.87% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 8- PENSION PLAN (continued)

Sensitivity Analysis – the tables below represent the sensitivity of the net pension liability to changes in the discount rate for Franklin County, Florida. 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, 2018.

FRS Net Pension Liability		
1% Decrease 6.0%	Current Discount Rate 7.0%	1% Increase 8.0%
<u>\$17,981,889</u>	<u>\$10,116,851</u>	<u>\$ 3,254,379</u>

HIS Net Pension Liability		
1% Decrease 2.87%	Current Discount Rate 3.87%	1% Increase 4.87%
<u>\$ 2,521,010</u>	<u>\$ 2,179,127</u>	<u>\$ 1,949,512</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.

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 8- PENSION PLAN (continued)

For the fiscal year ended September 30, 2018, the County recognized pension expense of \$1,735,042 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	\$ 857,049	\$ (31,107)
Change of assumptions	3,305,695	—
Net difference between projected and actual earnings on FRS Plan investments	—	(781,650)
Changes in proportion and differences between City FRS Plan contributions and proportionate share of contributions	420,645	(543,853)
City FRS Plan contributions subsequent to the measurement date	<u>247,309</u>	<u>—</u>
Total	<u>\$ 4,830,698</u>	<u>\$ (1,356,610)</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
2019	\$ 1,297,926
2020	885,781
2021	123,504
2022	589,814
2023	394,384
Thereafter	58,579

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 8- PENSION PLAN (continued)

For the fiscal year ended September 30, 2018, the City recognized pension expense of \$162,143 for the HIS plan. In addition the City reported deferred outflows of resources and deferred inflows 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	\$ 33,361	\$ (3,702)
Change of assumptions	242,346	(230,396)
Net difference between projected and actual earnings on HIS Plan investments	1,315	—
Changes in proportion and differences between City HIS Plan contributions and proportionate share of contributions	50,206	(106,737)
City HIS Plan contributions subsequent to the measurement date	<u>27,884</u>	<u>—</u>
Total	<u>\$ 355,112</u>	<u>\$ (340,835)</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
2019	\$ 30,086
2020	29,974
2021	20,999
2022	4,716
2023	(29,276)
Thereafter	(13,422)

FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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 215 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 \$289 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, \$289 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 \$352,978 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, 2018**

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Actuarial Methods and Assumptions

The actuarial assumptions used represent a reasonable long term expectation of future OPEB outcomes. As a national economic and County experience change over time, the assumptions will be tested for ongoing reasonableness and, if necessary updated. Significant methods and assumptions were as follows:

Actuarial Valuation Date/Measurement Date	9/30/2018
Actuarial Cost Method	Entry age
Discount Rate	3.64%
Projected Cash Flows	Pay As You Go
Municipal Bond Rate	20-Year Tax Exempt General Obligation
Bond Rate Basis	AA/Aa or higher
Projected Salary Increases	2.50%
Healthcare Cost Trend Rate	8.5% initial; 4.5% ultimate

Changes in Total OPEB Liability and Related Ratios

Below are the details regarding the total OPEB liability for the period from October 1, 2017 to September 30, 2018 (in thousands):

Total OPEB Liability at 10/1/2017	\$ 16,465
Changes for the Fiscal Year	
Service Cost	882
Interest	525
Difference Between Actual and Expected Experience	—
Assumption Changes	(1,593)
Benefit Payments	(353)
Net Changes in Total OPEB	(539)
Total OPEB liability at 9/30/2018	\$ 15,926
Covered-Employee Payroll	6.629%
TOL as a Percentage of Covered-Employee Payroll	240.26%

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate.

	1% Decrease	Current Discount Rate	1% Increase
	2.64%	3.64%	4.64%
Total OPEB Liability	\$18,797,865	\$15,926,021	\$13,621,789

The following presents the total OPEB liability of the County, as well as what the County's total OPEB expense of 1.245 million. At September 30, 2018, the County reported deferred outflows and deferred inflows of resources related to OPEB for the following sources (in thousands):

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$13,352,002	\$15,926,021	\$19,230,966

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the County recognized OPEB expense of 1.245 million. At September 30, 2018, the county reported deferred outflows and deferred inflows of resources related to OPEB for the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ —	\$ —
Change of Assumptions	—	(1,430)
Total	\$ —	\$ (1,430)

Amounts recognized in the deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the OPEB expense as follows (in thousands):

Year ended September 30:	
2019	\$ (163)
2020	(163)
2021	(163)
2022	(163)
2023	(163)
Thereafter	(618)
Total	<u>\$ (1,433)</u>

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 10 – FUND BALANCE

Fund balance consisted of the following amounts as of September 30, 2018:

<u>Fund Balances</u>	<u>Amount</u>
Nonspendable:	
General fund – prepaid expenses	\$ 2,396
Road and Bridge	1,200
Airport	1,200
Clerk modernization	166
911 trust fund	<u>18,433</u>
Total Nonspendable Fund Balance	<u>23,395</u>
Restricted:	
General	2,405
911 trust fund	396,998
Airport	53,139
Boating improvement fund	28,770
Clerk’s modernization trust	195,266
County road and bridge	659,328
Economic development fund	291,071
Hospital trust	4,290,806
Landfill	1,441,339
Law enforcement education trust	86,125
Law enforcement trust	3,175
Local option gas tax	1,356,745
State housing initiatives partnership	46,582
Sheriff’s special revenue funds	11,623
Tourist development fund	<u>1,126,985</u>
Total Restricted Fund Balance	<u>9,990,357</u>
Assigned:	
Landfill	353,014
Mosquito control fund	29,490
Sheriff’s special revenue funds	<u>29,138</u>
Total Assigned Fund Balance	<u>411,642</u>
Total Unassigned Fund Balance	<u>12,502,259</u>
Total fund Balance	<u>\$ 22,927,653</u>

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

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 \$1,441,339 at September 30, 2018. 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 \$3,044,550 amount reported as landfills closure and postclosure care liability at September 30, 2018 (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 \$2,519,105 for closure and \$3,114,947 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, 2018**

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 October 17, 2017, the County entered into a 60 month contract with rent at \$2,500 per month plus a fuel flowage fee of \$0.25 per gallon sold plus tax.

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 – EMPLOYEE LEASE

On July 20, 2010, the Hospital entered into an agreement with Fortune Business Solutions which subsequently became HR Outsourcing Inc., to provide employees for the Hospital. Under the agreement, HR Outsourcing Inc. is the employer of all persons working at the Hospital. The Hospital reimburses HR Outsourcing Inc. 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 \$4,221,514 for the year ended September 30, 2018.

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 17 – PRIOR PERIOD ADJUSTMENT

Implementation of Governmental Accounting Standards Board Statements

The County adopted the following Governmental Accounting Standards Board (GASB) Statements during the fiscal year ended September 30, 2018:

1. GASB Statement No. 75 “Accounting and financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”

Statement No. 75 was implemented in fiscal year 2018. Due to implementation of this statement the County adopted the accounting and reporting requirements of the new standard, which resulted in a restatement of total OPEB liability and deferred inflows of resources. Also refer to Note 7 for additional information on the impact of the adoption on these statements. The adjustment to the beginning net position is presented below.

	Net Position September 30, 2017, as previously reported	Net Position Effect of GASB 75	Net Position October 1, 2017, as restated
Government-Wide:	\$ <u>89,893,637</u>	\$ <u>(2,416,678)</u>	\$ <u>87,476,959</u>

2. GASB Statement No. 85 “Omnibus 2017”

Statement No. 85 establishes practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB). The County implemented this statement for fiscal year 2018. The adoption of GASB 85 did not impact the County’s financial position or results in operations.

3. GASB Statement No 86 “Certain Debt Extinguishment Issues”

Statement No. 86 establishes improved consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The county implemented this statement for fiscal year 2018. The adoption of GASB 85 did not impact the County’s financial position or results in operations.

Beginning net position of the Hospital as of October 1, 2017 was restated for prior period adjustments resulting from the correction of errors. Net position as of October 1, 2017 was restated from \$3,704,972 to \$2,554,955. The effect of the restatement on the change in net position for the year ended September 30, 2017 was a decrease of \$2,972, from \$(50,541) to \$(47,569).

REQUIRED SUPPLEMENTARY INFORMATION

**FRANKLIN COUNTY, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED SEPTEMBER 30, 2018**

**SCHEDULE OF CHANGES IN THE COUNTY'S TOTAL OTHER POST EMPLOYMENT BENEFITS
 LIABILITY AND RELATED RATIOS (1)**

Last Ten Fiscal Years*
 (Dollars in Thousands)

	<u>2018</u>
Total OPEB Liability	
Total pension liability	
Service Cost	\$ 882
Interest	525
Differences Between Actual and Expected Experience	—
Assumption Changes	(1,593)
Benefit Payments	<u>353</u>
Net Change in Total OPEB Liability	(539)
Total OPEB Liability – Beginning as Restated	<u>16,465</u>
Total OPEB Liability - Ending	<u>15,926</u>
Covered-Employee Payroll	\$ 6,629
Total OPEB Liability as a Percentage of Covered-Employee Payroll	240.26%

(1) The amounts presented for each fiscal year were determined as of September 30th.

* This is a 10-year schedule; however the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

FRANKLIN COUNTY, FLORIDA
PROPORTIONATE SHARE OF NET PENSION LIABILITY
Last Ten Years*
SEPTEMBER 30, 2018

Florida Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Franklin County, Florida's proportion of the net pension liability	0.33587905%	0.03488977%	0.03570204%	0.053894033%
Franklin County, Florida's proportionate share of the net pension liability	\$ 10,116,851	\$ 10,320,160	\$ 9,014,793	\$ 6,961,137
Franklin County, Florida's covered-employee payroll	\$ 6,547,976	\$ 6,628,676	\$ 6,504,034	\$ 6,373,330
Franklin County, Florida's proportionate share of the net pension liability as a percentage of its covered-employee payroll	154.50%	155.69%	138.60%	109.22%
Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%	92.00%

Health Insurance Subsidy Programs

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Franklin County, Florida's proportion of the net pension liability	0.020588662%	0.020661452%	0.020633700%	0.021258895%
Franklin County, Florida's proportionate share of the net pension liability	\$ 2,179,127	\$ 2,209,218	\$ 2,404,772	\$ 4,117,722
Franklin County, Florida's covered-employee payroll	\$ 6,547,976	\$ 6,628,676	\$ 6,504,034	\$ 6,373,330
Franklin County, Florida's proportionate share of the net pension liability as a percentage of its covered-employee payroll	33.28%	33.33%	36.97%	64.61%
Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	0.97%	0.50%

Notes to schedules:

*The amounts presented for each fiscal year were determined as of the measurement date, which was June 30th of the current fiscal year

*GASB Statement No. 68 was implemented in 2015. Until a full 10-year trend is compiled, information for those years for which it is available will be presented.

**Covered employee payroll includes defined benefit plan actives, investment plan members, and members in DROP for the measurement period ending June 30, 2017.

FRANKLIN COUNTY, FLORIDA
SCHEDULE OF PENSION CONTRIBUTIONS
Last Ten Fiscal Years*
SEPTEMBER 30, 2018

Florida Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,204,537	\$ 1,144,081	\$ 1,099,477	\$ 267,413
Contributions in relation to the contractually required contribution	<u>(1,204,537)</u>	<u>(1,144,081)</u>	<u>(1,099,477)</u>	<u>(267,413)</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Franklin County, Florida's covered-employee payroll	\$ 6,547,976	\$ 6,628,676	\$ 6,504,034	\$ 6,373,330
Contribution as a percentage of covered-employee payroll	18.4%	17.26%	16.90%	4.20%

Health Insurance Subsidy Programs

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 139,537	\$ 137,061	\$ 133,367	\$ 33,450
Contributions in relation to the contractually required contribution	<u>(139,537)</u>	<u>(137,061)</u>	<u>(133,367)</u>	<u>(33,450)</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Franklin County, Florida's covered-employee payroll	\$ 6,547,976	\$ 6,628,676	\$ 6,504,034	\$ 6,373,330
Contribution as a percentage of covered-employee payroll	2.13%	2.07%	2.05%	0.52%

Notes to schedules:

*Covered employee payroll includes defined benefit plan actives, investment plan members, and members in DROP for the fiscal year ended September 30, 2018.

*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
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2018**

NOTE 1 – OPEB INFORMATION

The county did not have plan assets accumulated in a trust. For the measurement date of September 30, 2018, the actuarial valuation used a discount rate of 3.50% as of October 1, 2017, and 4.15% as of September 30, 2018. The discount rate will be updated annually to reflect market conditions as of the measurement date.

NOTE 2 – PENSION INFORMATION

The discount rate used to measure the pension liability of the Pension Plan at June 30, 2018 was decreased from 7.10% to 7.00%. The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the valuations of the defined benefit pension plans pursuant to Section 216.136(10), Florida Statutes. The 7.00% rate of return assumption used in the June 30, 2018 calculations was determined by the Plan's consulting actuary to be reasonable and appropriate per Actuarial Standard of Practice No. 27 (ASOP 27) for accounting purposes which differs from the rate used for funding purposes which is used to establish the contribution rates of the Pension Plan.

COMBINING FINANCIAL STATEMENTS

**FRANKLIN COUNTY, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

	<u>Special Revenue</u>				
	<u>County Road and Bridge</u>	<u>911 Trust</u>	<u>Landfill</u>	<u>Fire Protection</u>	<u>Airport</u>
Assets					
Cash and cash equivalents	\$ 294,477	\$ 381,957	\$ 1,029,689	\$ 106,919	\$ 46,391
Equity in pooled cash	83,300	—	738,296	—	—
Due from other funds	25,495	—	133	—	—
Due from other government units	265,747	27,308	—	—	21,021
Prepaid expenses	1,200	18,433	—	—	1,200
Accounts receivable (net)	<u>2,731</u>	<u>255</u>	<u>48,452</u>	<u>4,601</u>	<u>2,965</u>
Total Assets	<u>\$ 672,950</u>	<u>\$ 427,953</u>	<u>\$ 1,816,570</u>	<u>\$ 111,520</u>	<u>\$ 71,577</u>
Liabilities Deferred Inflows and Fund Balances					
Liabilities					
Customer deposits	—	—	4,000	—	—
Vouchers payable	9,141	3,043	16,797	96,308	10,286
Due to other government	—	—	—	—	—
Due to other funds	<u>3,281</u>	<u>9,479</u>	<u>1,420</u>	<u>15,212</u>	<u>5,952</u>
Total liabilities	<u>12,422</u>	<u>12,522</u>	<u>22,217</u>	<u>111,520</u>	<u>16,238</u>
Deferred Inflows					
Grant funds	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,000</u>
Total Deferred Inflows	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,000</u>
Fund balances					
Nonspendable	1,200	18,433	—	—	1,200
Restricted	659,328	396,998	1,441,339	—	53,139
Assigned	<u>—</u>	<u>—</u>	<u>353,014</u>	<u>—</u>	<u>—</u>
Total fund balances	<u>660,528</u>	<u>415,431</u>	<u>1,794,353</u>	<u>—</u>	<u>54,339</u>
Total liabilities Deferred Inflows and Fund balances	<u>\$ 672,950</u>	<u>\$ 427,953</u>	<u>\$ 1,816,570</u>	<u>\$ 111,520</u>	<u>\$ 71,577</u>

(Continued)

**FRANKLIN COUNTY, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Continued)
SEPTEMBER 30, 2018**

	Special Revenue					
	Tourist Development	Mosquito Control	Clerk's Fine and Forfeitures	Clerk Modernization Trust	Sheriff's Special Revenue	Law Enforcement Educational Trust
Assets						
Cash and cash equivalents	\$ 899,018	\$ 27,818	\$ 57,337	\$ 192,243	\$ 40,761	\$ —
Equity in pooled cash	77,282	—	—	—	—	85,972
Due from other funds	—	3,281	23,457	4,347	—	153
Due from other government	181,742	—	—	—	—	—
Prepaid expenses	—	—	—	166	—	—
Accounts receivable (net)	—	—	—	—	—	—
Total Assets	<u>\$ 1,158,042</u>	<u>\$ 31,099</u>	<u>\$ 80,794</u>	<u>\$ 196,756</u>	<u>\$ 40,761</u>	<u>\$ 86,125</u>
Liabilities Deferred Inflows and fund balances						
Liabilities						
Customer deposits	—	—	—	—	—	—
Vouchers payable	30,944	261	3,472	1,324	—	—
Due to other government	113	—	65,245	—	—	—
Due to other funds	—	1,348	11,161	—	—	—
Total liabilities	<u>31,057</u>	<u>1,609</u>	<u>79,878</u>	<u>1,324</u>	<u>—</u>	<u>—</u>
Deferred Inflows						
Grant fund	—	—	916	—	—	—
Total Deferred Inflows	<u>—</u>	<u>—</u>	<u>916</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances						
Nonspendable	—	—	—	166	—	—
Restricted	1,126,985	—	—	195,266	11,623	86,125
Assigned	—	29,490	—	—	29,138	—
Total fund balances	<u>1,126,985</u>	<u>29,490</u>	<u>—</u>	<u>195,432</u>	<u>40,761</u>	<u>86,125</u>
Total liabilities Deferred Inflows and Fund balances	<u>\$ 1,158,042</u>	<u>\$ 31,099</u>	<u>\$ 80,794</u>	<u>\$ 196,756</u>	<u>\$ 40,761</u>	<u>\$ 86,125</u>

(Continued)

**FRANKLIN COUNTY, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Continued)
SEPTEMBER 30, 2018**

	<u>Special Revenue</u>					Total Nonmajor Governmental Funds
	Law Enforcement Trust	Boating Improvement	Local Option Gas Tax	Economic Development CDBG	Housing Initiative Partnership	
Assets						
Cash and cash equivalents	\$ —	\$ 27,617	\$ 977,066	\$ 12,837	\$ 268,527	\$ 4,362,657
Equity in pooled cash	3,175	—	394,420	278,234	34,760	1,695,439
Due from other funds	—	—	—	—	—	56,866
Due from other government	—	—	—	—	—	495,818
Prepaid expenses	—	—	—	—	—	20,999
Accounts receivable (net)	—	1,153	51,727	327,900	365,187	804,971
Total Assets	<u>\$ 3,175</u>	<u>\$ 28,770</u>	<u>\$ 1,423,213</u>	<u>\$ 618,971</u>	<u>\$ 668,474</u>	<u>\$ 7,436,750</u>
Liabilities Deferred Inflows and Fund Balances						
Liabilities						
Customer deposits	—	—	—	—	—	4,000
Vouchers payable	—	—	60,860	—	2,625	235,061
Due to other government	—	—	—	—	—	65,358
Due to other funds	—	—	5,608	—	—	53,461
Total liabilities	<u>—</u>	<u>—</u>	<u>66,468</u>	<u>—</u>	<u>2,625</u>	<u>357,880</u>
Deferred Inflows						
Grant funds	—	—	—	327,900	619,267	949,083
Total Deferred Inflows	<u>—</u>	<u>—</u>	<u>—</u>	<u>327,900</u>	<u>619,267</u>	<u>949,083</u>
Fund balances						
Nonspendable	—	—	—	—	—	20,999
Restricted	3,175	28,770	1,356,745	291,071	46,582	5,697,146
Assigned	—	—	—	—	—	411,642
Total fund balances	<u>3,175</u>	<u>28,770</u>	<u>1,356,745</u>	<u>291,071</u>	<u>46,582</u>	<u>6,129,787</u>
Total liabilities Deferred Inflows and Fund balances	<u>\$ 3,175</u>	<u>\$ 28,770</u>	<u>\$ 1,423,213</u>	<u>\$ 618,971</u>	<u>\$ 668,474</u>	<u>\$ 7,436,750</u>

**FRANKLIN COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

	<u>Special Revenue</u>				
	<u>County Road and Bridge</u>	<u>911 Trust</u>	<u>Landfill</u>	<u>Fire Protection</u>	<u>Airport</u>
Revenues					
Taxes	\$ 13,652	\$ —	\$ —	\$ —	\$ —
Licenses and permits	—	—	—	494,073	—
Intergovernmental	1,574,701	123,968	—	—	1,363,762
Fines and forfeitures	—	—	—	—	—
Charges for services	—	—	603,364	—	92,966
Investment earnings and other	<u>57,148</u>	<u>1,049</u>	<u>15,784</u>	<u>4,077</u>	<u>426</u>
Total Revenues	<u>\$ 1,645,501</u>	<u>\$ 125,017</u>	<u>\$ 619,148</u>	<u>\$ 498,150</u>	<u>\$ 1,457,154</u>
Expenditures					
Current					
General government	—	—	—	—	—
Public safety	—	68,281	—	498,150	—
Physical environment	—	—	289,305	—	—
Economic environment	—	—	—	—	—
Transportation	1,402,035	—	—	—	138,757
Court related	—	—	—	—	—
Human services	—	—	—	—	—
Capital outlay	311,466	—	—	—	1,303,812
Debt service	<u>78,168</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>1,791,669</u>	<u>68,281</u>	<u>289,305</u>	<u>498,150</u>	<u>1,442,569</u>
Excess (deficit) of revenues over (under) expenditures	<u>(146,168)</u>	<u>56,736</u>	<u>329,843</u>	<u>—</u>	<u>14,585</u>
Other financing sources (uses)					
Transfers in	1,000	—	200,000	—	—
Transfers out	(328,628)	(53,826)	(200,000)	—	—
Proceeds from debt	295,000	—	—	—	—
Reversion to State	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing sources (uses)	<u>(32,628)</u>	<u>(53,826)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balances	(178,796)	2,910	329,843	—	14,585
Fund balances - beginning	<u>839,324</u>	<u>412,521</u>	<u>1,464,510</u>	<u>—</u>	<u>39,754</u>
Fund balances - ending	<u>\$ 660,528</u>	<u>\$ 415,431</u>	<u>\$ 1,794,353</u>	<u>\$ —</u>	<u>\$ 54,339</u>

(Continued)

**FRANKLIN COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Continued)
SEPTEMBER 30, 2018**

	Special Revenue					
	Tourist Development	Mosquito Control	Clerk's Fine and Forfeitures	Clerk Modernization Trust	Sheriff's Special Revenue	Law Enforcement Educational Trust
Revenues						
Taxes	\$ 1,304,398	\$ —	\$ —	\$ —	\$ —	\$ —
Licenses and permits	—	—	—	—	—	—
Intergovernmental	—	32,468	398,739	—	—	—
Fines and forfeitures	—	—	64,110	—	—	—
Charges for services	—	—	121,946	37,639	78,979	1,858
Investment earnings & other	3,751	247	125	263	—	86
Total Revenues	<u>\$ 1,308,149</u>	<u>\$ 32,715</u>	<u>\$ 584,920</u>	<u>\$ 37,902</u>	<u>\$ 78,979</u>	<u>\$ 1,944</u>
Expenditures						
Current						
General government	—	—	—	385	—	—
Public safety	—	—	—	—	70,304	—
Physical environment	—	—	—	—	—	—
Economic Environment	—	—	—	—	—	—
Transportation	873,358	—	—	—	—	—
Court related	—	—	582,020	30,265	—	—
Human services	—	197,456	—	—	—	—
Capital outlay	16,515	—	—	—	—	—
Debt service	176,000	—	—	—	—	—
Total expenditures	<u>1,065,873</u>	<u>197,456</u>	<u>582,020</u>	<u>30,650</u>	<u>70,304</u>	<u>—</u>
Excess (deficit) of revenues over (under) expenditures	<u>242,276</u>	<u>(164,741)</u>	<u>2,900</u>	<u>7,252</u>	<u>8,675</u>	<u>1,944</u>
Other financing sources (uses)						
Transfers in	—	145,574	—	—	—	—
Transfers out	(87,000)	(1,000)	—	—	—	—
Proceeds from debt	—	—	—	—	—	—
Reversion to State	—	—	(2,900)	—	—	—
Total other financing sources (uses)	<u>(87,000)</u>	<u>144,574</u>	<u>(2,900)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balances	155,276	(20,167)	—	7,252	8,675	1,944
Fund balances - beginning	<u>971,709</u>	<u>49,657</u>	<u>—</u>	<u>188,180</u>	<u>32,086</u>	<u>84,181</u>
Fund balances - ending	<u>\$ 1,126,985</u>	<u>\$ 29,490</u>	<u>\$ —</u>	<u>\$ 195,432</u>	<u>\$ 40,761</u>	<u>\$ 86,125</u>

(Continued)

**FRANKLIN COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

	<u>Special Revenue</u>					Total Nonmajor Governmental Funds
	Law Enforcement Trust	Boating Improvement	Local Option Gas Tax	Economic Development CDBG	Housing Initiative Partnership	
Revenues						
Taxes	\$ —	—	\$ 297,579	\$ —	\$ —	\$ 1,615,629
Licenses and permits	—	—	—	—	—	494,073
Intergovernmental	—	49,743	1,722,678	—	240,512	5,506,571
Fines and forfeitures	—	—	—	—	—	64,110
Charges for services	—	—	—	—	—	936,752
Investment earnings and other	3	55	8,534	5,254	15,198	112,000
Total Revenues	<u>\$ 3</u>	<u>\$ 49,798</u>	<u>\$ 2,028,791</u>	<u>\$ 5,254</u>	<u>\$ 255,710</u>	<u>\$ 8,729,135</u>
Expenditures						
Current						
General government	—	—	—	—	—	385
Public safety	—	—	—	—	—	636,735
Physical environment	—	45,000	—	—	—	334,305
Economic environment	—	—	—	—	232,636	232,636
Transportation	—	—	185,689	—	—	2,599,839
Court related	—	—	—	—	—	612,285
Human services	—	—	—	—	—	197,456
Capital outlay	—	—	1,704,490	—	—	3,336,283
Debt service	—	—	—	—	—	254,168
Total expenditures	<u>—</u>	<u>45,000</u>	<u>1,890,179</u>	<u>—</u>	<u>232,636</u>	<u>8,204,092</u>
Excess (deficit) of revenues over (under) expenditures	<u>3</u>	<u>4,798</u>	<u>138,612</u>	<u>5,254</u>	<u>23,074</u>	<u>525,043</u>
Other financing sources (uses)						
Transfers in	—	—	328,628	—	—	675,202
Transfers out	—	—	—	—	—	(670,454)
Proceeds from debt	—	—	—	—	—	295,000
Reversion to state	—	—	—	—	—	(2,900)
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>328,628</u>	<u>—</u>	<u>—</u>	<u>296,848</u>
Net change in fund balances	3	4,798	467,240	5,254	23,074	821,891
Fund balances - beginning	<u>3,172</u>	<u>23,972</u>	<u>889,505</u>	<u>285,817</u>	<u>23,508</u>	<u>5,307,896</u>
Fund balances - ending	<u>\$ 3,175</u>	<u>\$ 28,770</u>	<u>\$ 1,356,745</u>	<u>\$ 291,071</u>	<u>\$ 46,582</u>	<u>\$ 6,129,787</u>

**FRANKLIN COUNTY, FLORIDA
 COMBINING BALANCE SHEET
 AGENCY FUNDS
 SEPTEMBER 30, 2018**

	<u>Agency Funds Clerk</u>			
	<u>Jury</u>	<u>Trust Funds</u>	<u>Registry of Court</u>	<u>Child Support</u>
Assets				
Cash and cash equivalents	\$ 75	\$ 43,067	\$ 99,754	\$ 456
Total Assets	<u>\$ 75</u>	<u>\$ 43,067</u>	<u>\$ 99,754</u>	<u>\$ 456</u>
Liabilities				
Due to individuals	—	341	99,754	345
Due to other funds	75	22,944	—	79
Due to Board of County Commissioners	—	5,772	—	—
Due to other governments	—	14,010	—	32
Total Liabilities	<u>\$ 75</u>	<u>\$ 43,067</u>	<u>\$ 99,754</u>	<u>\$ 456</u>

(continued)

**FRANKLIN COUNTY, FLORIDA
 COMBINING BALANCE SHEET
 AGENCY FUNDS (Continued)
 SEPTEMBER 30, 2018**

	<u>Agency Funds – Sheriff</u>		<u>Agency Funds – Tax Collector</u>		<u>Total</u>
	<u>Bonds</u>	<u>Inmate Trust</u>	<u>Tax</u>	<u>Tag Agency</u>	
Assets					
Cash and cash equivalents	\$ 216,200	\$ 5,659	\$ 390,677	\$ 5,318	\$ 761,206
Total Assets	<u>\$ 216,200</u>	<u>\$ 5,659</u>	<u>\$ 390,677</u>	<u>\$ 5,318</u>	<u>\$ 761,206</u>
Liabilities					
Due to individuals	216,200	5,659	5,318	—	327,617
Due to other funds	—	—	—	—	23,098
Due to Board of County Commissioners	—	—	—	—	5,772
Due to other governments	—	—	385,359	5,318	404,719
Total Liabilities	<u>\$ 216,200</u>	<u>\$ 5,659</u>	<u>\$ 390,677</u>	<u>\$ 5,318</u>	<u>\$ 761,206</u>

COMPLIANCE SECTION

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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 Franklin County, Florida's (the County) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds and Section 365.172(10) and 365.173(2)(d), Florida Statutes, regarding emergency communications number E911 system fund during the year ended September 30, 2018. Management is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County'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 County'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 County's compliance with specified requirements.

In our opinion, the County complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.

Vance CPA LLC

Vance CPA LLC

June 25, 2019

Vance CPA LLC

Certified Public Accountant

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INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

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, 2018, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2019.

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; the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards (Uniform Guidance)* and *Chapter 10.550 Rules of the Florida Auditor General*.

Other Reporting Requirements

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*; Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance, Schedule of Findings and Responses 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 25, 2019, 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.

Official Title and Legal Authority

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.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), 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.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.

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.

Annual Financial Report

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), 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, 2018, 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, 2018. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

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.

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 25, 2019

Vance CPA LLC

Certified Public Accountant

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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, 2018, 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 25, 2019.

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.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses. (2018-001 through 2018-003)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 25, 2019

Vance CPA LLC

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT, REPORT AND ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.550 RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

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

Report on Compliance for Each Major Federal and State Program

We have audited Franklin County, Florida's (the County) compliance with the types of compliance requirements described in the *OMB 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 the County's major federal programs and state projects for the year ended September 30, 2018. The County's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs and state programs 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 and contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550 Rules of the Auditor General. Those standards and the Uniform Guidance, and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program and state project occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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 projects for the year ended September 30, 2018.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintain effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County'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 the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. *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 Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Award and State Financial Assistance Required by the Uniform Guidance and Chapter 10.550, Rules of the Auditor General

We have audited 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, 2018, and the notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 25, 2019, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for the purposes of additional analysis as required by the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*, and is not a required part of the basic 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 Schedule of Expenditures of Federal Awards and State Financial Assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

Vance CPA LLC

Vance CPA LLC
June 25, 2019

**FRANKLIN COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2018**

Federal Awards Program	CFDA #	Contract/Grant Number	Expenditures
US Department of Housing & Urban Development			
Passed through Florida Department of Economic Opportunity			
CDBG Housing Grant	14.228	16DB-OK-02-29-01-H08	<u>111,860</u>
Total US Department of Housing & Urban Development			<u>111,860</u>
U S Fish and Wildlife Service			
Passed through Florida Dept of Environmental Protection			
Apalachicola Bay/St. George Sound Conservation Project	15.614	G0449	<u>141,950</u>
Total U.S. Fish and Wildlife Service			<u>141,950</u>
U S Department of Transportation			
Passed through Florida Dept of Transportation			
LAP Bayshore Drive Sidewalk Project	20.205	43138825801	<u>431,177</u>
Total U.S. Department of Transportation			<u>431,177</u>
U S Election Assistance Commission			
Passed through Florida Department of State			
HAVA Voting Systems Assistance Grant	90.401	E2311	<u>16,157</u>
Total US Election Assistance Commission			<u>16,157</u>
U S Department of Health & Human Services			
Passed through Florida Department of Health			
HRS Service of Process 2017/2018	93.563	CST-19	884
Title IV-D-CSE	93.563	Operational 001.331.650	<u>31,820</u>
Total CFDA 93563			<u>32,705</u>
Total US Department of Health & Human Services			<u>32,705</u>

**FRANKLIN COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2018**

Federal Awards Program	CFDA #	Contract/Grant Number	Expenditures
U S Department of Homeland Security			
Passed through Florida Div. of Emergency Mgmt – Disaster Grants – Public Assistance			
FEMA 04-FL-4068 PW591 – Relocate Gulf Shore Blvd	97.036	PA-04-FL-4068-PW-591	3,022
FEMA PA-04-FL-4280-PW00461(364) Alligator Drive Hermine	97.036	17-PA-W1-02-29-02-106	146,537
FEMA PA-04-FL-4280-PW00484(0) Alligator Drive Traffic Control	97.036	17-PA-W1-02-29-02-106	64,524
FEMA Hurricane Hermine – Small Project Cat G Repairs	97.036	17-PA-W1-02-29-02-106	4,598
FEMA Hurricane Hermine – Road Repairs Cat C	97.036	17-PA-W1-02-29-02-106	<u>36,518</u>
Total CFDA 97.036			<u>255,200</u>
Emergency Management Performance Grant	97.042	18-FG-7A-02-29-01-211	53,525
FEMA CERT Grant	97.042	17/18	<u>7,000</u>
Total CFDA 97.042			<u>60,525</u>
Total US Department of Homeland Security			<u>315,725</u>
U S Office of the Attorney General			
Victims of Crime Act	16.575	VOLA-2017 FRANKLIN	<u>17,960</u>
Total US Office of the Attorney General			<u>17,960</u>
Total Expenditure of Federal Awards			<u>\$ 1,067,534</u>

**FRANKLIN COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2018**

State Financial Assistance Projects	CSFA #	Contract/Grant Number	Expenditures
Florida Executive Office of the Governor – Division of Emergency Management			
Emergency Mgmt Preparedness Grant EMPA	31.063	18-BG-W9-02-29-01-210	93,296
Emergency Mgmt Preparedness Grant EMPA	31.063	17-BG-21-02-29-01-086	<u>5,304</u>
Total CSFA 31.063			<u>98,600</u>
FEMA Residential Construction Hazard Mitigation	31.066	18HC-AG-02-29-01-001	<u>372,059</u>
Total CSFA 31.066			<u>372,059</u>
Total Florida Executive Office of the Governor			<u>470,659</u>
Florida Department of Environmental Protection			
Consolidated Solid Waste Management Grant	37.012	SC808	<u>90,909</u>
Total CSFA 37.012			<u>90,909</u>
FRDAP DW Wilson Park Improvements	37.017	A7124	<u>50,000</u>
Total CSFA 37.017			<u>50,000</u>
DEP Sea Turtle Lighting Grant t	37.081	S0766	6,686
DEP Sea Turtle Lighting Grant	37.081	S0706	<u>17,512</u>
Total CSFA 37.081			<u>24,198</u>
Total Department of Environmental Protection			<u>165,107</u>
Florida Department of Agriculture			
Mosquito Control – State 1	42.003	FDACS #024772	<u>32,468</u>
Total CSFA 42.003			<u>32,468</u>
FDACS ANERR Renovation Grant	42.047	FDACS #024662	<u>8,186</u>
Total CSFA 42.047			<u>8,186</u>
Total Department of Agriculture			<u>40,654</u>
Florida Department of State			
State Aid to Libraries	45.030	18-ST-93	<u>84,284</u>
Total CSFA 45.030			<u>84,284</u>
Armory Historic Preservation Grant	45.032	SC727	<u>16,114</u>
Total CSFA 45.032			<u>16,114</u>
Total Florida Department of State			<u>100,398</u>

**FRANKLIN COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE (continued)
YEAR ENDED SEPTEMBER 30, 2018**

State Financial Assistance Projects	CFDA #	Contract/Grant Number	Expenditures
Florida Housing Finance Agency			
State Housing Initiatives Partnership (SHIP)	52.901	2015/2016	144,592
State Housing Initiatives Partnership (SHIP)	52.901	2017/2018	<u>95,920</u>
Total CSFA 52.901			<u>240,512</u>
Total Florida Housing Finance Agency			<u>240,512</u>
Department of Transportation			
Airport Stormwater Sewer Improvements	55.004	41604769401 ARG99	1,145,247
Airport Upgrade Airfield Lighting Systems	55.004	42561329401 ARQ80	132,176
Airport Economic Development Grant	55.004	42561349401 G0D66	59,950
Airport Construct North/South Taxiway	55.004	42071749401 ARB18	<u>26,390</u>
Total CSFA 55.004			<u>1,363,763</u>
 CIGP – Widen & Resurface Ellis Van Vleet Street	 55.008	 43518415401 G0D92	 <u>149,677</u>
Total CSFA 55.008			<u>149,677</u>
 SCOP Mill Road	 55.009	 43683715401 G0D91	 <u>1,573,000</u>
Total CSFA 55.009			<u>1,573,000</u>
 FDOT Camera Grant	 55.012	 43311529401 G0O10	 <u>8,698</u>
Total CSFA 55.009			<u>8,698</u>
Total Department of Transportation			<u>3,095,138</u>
Florida Department of Management Services			
E911 System Maintenance Grant	72.001	18-04-08	<u>6,622</u>
Total CSFA 72.001			<u>6,622</u>
Total Department of Management Services			<u>6,622</u>
Florida Fish & Wildlife Conservation Comm			
FWC Derelict Vessel Removal Grant	77.005	FWC 17251	<u>33,750</u>
Total CSFA 77.005			<u>33,750</u>
Total Department of Management Services			<u>33,750</u>
Florida Department of Health			
Florida Emergency Medical Services	64.005		<u>3,027</u>
Total CSFA 64.05			<u>3,027</u>
Total Department of Management Services			<u>3,027</u>
 Total Expenditure of State Financial Assistance			 <u>\$ 4,155,867</u>

**FRANKLIN COUNTY, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2018**

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, 2018**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

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: Unmodified

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: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? Yes No

Identified major programs:

<u>CFDA/CSFA Number</u>	<u>Name of Federal Award/State Financial Assistance Project</u>
20.205	LAP Bayshore Drive Sidewalk Project
31.066	FEMA Residential Construction Hazard Mitigation
55.004	Airport Stormwater Sewer Improvements
55.009	SCOP Mill Road

**FRANKLIN COUNTY, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES (continued)
YEAR ENDED SEPTEMBER 30, 2018**

Dollar threshold used to distinguish
between Type A and Type B programs

\$750,000 Federal/\$300,000 State

Auditee qualified as low-risk auditee?

X yes none

Section II – Financial Statement Findings

See Summary Schedule of Current Year Findings

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

No findings or questioned costs in the current year.

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

No findings or questioned costs in the current year.

Section V – Other Issues

No Corrective Action Plan is required.

**FRANKLIN COUNTY, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES (Continued)
SEPTEMBER 30, 2018**

SUMMARY SCHEDULE OF CURRENT YEAR AUDIT FINDINGS

2018-001 (Prior year 2017-001, 2016-001, 2015-001, 2014-001, 13-02, 12-02,11-02, 10-02 and 09-02)

Inadequate Design of Internal Controls

Property Appraiser

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.

2018-002 (Prior year 2017-002, 2016-002, 2015-002, 2014-002, 13-03, 12-03,11-03, 10-03 and 09-03)

Need for Segregation of Duties

Supervisor of Elections

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.

2018-003 (Prior year 2017-003, 2016-003, 2015-003, 2014-003, 13-04, 12-04, 11-04)

Significant Audit Adjustments

Sheriff

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.

**FRANKLIN COUNTY, FLORIDA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
SEPTEMBER 30, 2018**

2017-001 Inadequate Design of Internal Control

Status: See current year findings.

2017-002 Segregation of Duties

Status: See current year findings.

2017-003 Significant Audit Adjustments

Status: See current year findings.

2016-004 Inadequate Design of Internal Controls

Status: Resolved.

2017-005 Overpayment of Salary

Status: Resolved.

2017-006 Failure to Return Excess Cash

Status: Resolved.

2017-007 Temporary Utilities Not Disconnected in a Timely Manner

Status: Resolved.