

Franklin County, Florida
Clerk of the Circuit Court

Special-Purpose
Financial Statements
September 30, 2018

Vance CPA, LLC

Certified Public Accountant

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

**FRANKLIN COUNTY, FLORIDA
CLERK OF THE CIRCUIT COURT
SEPTEMBER 30, 2018**

TABLE OF CONTENTS

Independent Auditor’s Report	1
Special-Purpose Financial Statements	
Special-Purpose Balance Sheet – Governmental Funds	3
Special-Purpose Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	4
Special-Purpose Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	5
Special-Purpose Statement of Revenues, Expenditures, And Changes in Fund Balance – Budget and Actual – Fines and Forfeitures Trust Fund	6
Special-Purpose Statement of Revenues, Expenditures and Changes In Fund Balance – Budget and Actual – Modernization Trust Fund	7
Statement of Fiduciary Assets and Liabilities – Agency Funds	8
Notes to Special-Purpose Financial Statements	9
Combining Financial Statements	
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds	22
Compliance Section	
Independent Auditor’s Management Letter	24
Independent Auditor’s Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Special-Purpose Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26
Independent Auditors’ Report on Examination of Compliance Requirements in Accordance with Chapter 10.550, <i>Rules of the Auditor General</i>	28

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying fund financial statements of Franklin County, Florida, Clerk of the Circuit Court, (Clerk), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Clerk's fund financial statements as listed in the table of contents.

Management's Responsibility for the financial Statements

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

Independent Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Clerk'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 Clerk's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the funds of the Clerk as of September 30, 2018, and the respective changes in financial position and the respective budgetary comparison for the general fund, fines and forfeitures trust fund and modernization trust fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements referred to above have been prepared for the purpose of complying with Rules of the Auditor General of the State of Florida. In conformity with the Rules, the accompanying financial statements are intended to present the financial position and changes in financial position of each major fund, and aggregate remaining fund information, only for that portion of the major funds, and the aggregate remaining fund information, of Franklin County, Florida that is attributable to the Clerk. They do not purport to, and do not, present fairly the financial position of Franklin County, Florida as of September 30, 2018, and the changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to these matters.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Clerk's financial statements. The combining statements, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 combining statements are 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 17, 2019 and on our consideration of the Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters under the heading "Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*". The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clerk's internal control over financial reporting and compliance.

Vance CPA LLC

Vance CPA LLC
June 17, 2019

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

**SPECIAL-PURPOSE BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

	<u>General Fund</u>	<u>Fines and Forfeitures Fund</u>	<u>Modernization Trust Fund</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 72,661	\$ 57,337	\$ 192,243	\$ 322,241
Due from other funds	19,486	23,457	4,347	47,290
Due from other governmental units	3,713	—	—	3,713
Prepays	<u>—</u>	<u>—</u>	<u>166</u>	<u>166</u>
Total Assets	<u>95,860</u>	<u>80,794</u>	<u>196,756</u>	<u>373,410</u>
Liabilities Deferred Inflows and Fund Balances:				
Deferred Inflows				
Jury funding	<u>—</u>	<u>916</u>	<u>—</u>	<u>916</u>
Total Deferred Inflows	<u>—</u>	<u>916</u>	<u>—</u>	<u>916</u>
Liabilities				
Accounts payable	4,218	3,472	1,324	9,014
Due to other funds	75,869	11,161	—	87,030
Due to other governmental units	11,743	65,245	—	76,988
Due to Board of County Commissioners	<u>1,625</u>	<u>—</u>	<u>—</u>	<u>1,625</u>
Total Liabilities	<u>93,455</u>	<u>79,878</u>	<u>1,324</u>	<u>174,657</u>
Fund Balance:				
Restricted	<u>2,405</u>	<u>—</u>	<u>195,432</u>	<u>197,837</u>
Total Liabilities Deferred Inflows and Fund Balances	<u>\$ 95,860</u>	<u>\$ 80,794</u>	<u>\$ 196,756</u>	<u>\$ 373,410</u>

See accompanying notes to the basic financial statements

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

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

YEAR ENDED SEPTEMBER 30, 2018

	<u>General Fund</u>	<u>Fines and Forfeitures Fund</u>	<u>Modernization Trust Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Charges for services	\$ 87,731	\$ 121,946	\$ 37,639	\$ 247,316
Intergovernmental revenue	31,820	398,739	—	430,559
Investment income	146	125	263	534
Fines and Forfeitures	—	64,110	—	64,110
Total revenues	<u>119,697</u>	<u>584,920</u>	<u>37,902</u>	<u>742,519</u>
Expenditures:				
General government				
Current				
Personal services	364,403	—	—	364,403
Operating expenditures	62,926	—	385	63,311
Capital outlay	9,570	—	—	9,570
Court-related				
Current				
Personal services	28,846	558,496	—	587,342
Operating expenditures	569	23,524	30,265	54,358
Capital outlay	—	—	—	—
Total expenditures	<u>466,314</u>	<u>582,020</u>	<u>30,650</u>	<u>1,078,984</u>
Excess (deficit) of revenues over (Under) Expenditures	(346,617)	2,900	7,252	(336,465)
Other financing sources (uses)				
Transfers from Board of County Commissioners	407,770	—	—	407,770
Transfers to Board of County Commissioners	(58,748)	—	—	(58,748)
Reversion to State of Florida	—	(2,900)	—	(2,900)
Total other financing Sources (uses)	<u>349,022</u>	<u>(2,900)</u>	<u>—</u>	<u>346,122</u>
Net change in fund balances	2,405	—	7,252	9,657
Fund balances - beginning	—	—	188,180	188,180
Fund balance - ending	<u>\$ 2,405</u>	<u>\$ —</u>	<u>\$ 195,432</u>	<u>\$ 197,837</u>

See accompanying notes to the basic financial statements

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

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

YEAR ENDED SEPTEMBER 30, 2018

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final</u>
	<u>Original</u>	<u>Final</u>		<u>Budget Positive (Negative)</u>
Revenues:				
Charges for services	\$ 92,900	\$ 89,400	\$ 87,731	\$ (1,669)
Intergovernmental revenue	40,000	40,000	31,820	(8,180)
Interest income	150	150	146	(4)
Total revenues	<u>133,050</u>	<u>129,550</u>	<u>119,697</u>	<u>(9,853)</u>
Expenditures:				
General Government				
Current				
Personal services	444,253	444,253	364,403	79,850
Operating expenditures	53,067	53,067	62,926	(9,859)
Capital outlay	—	—	9,570	(9,570)
Court-related				
Current				
Personal services	27,401	27,401	28,846	(1,445)
Operating expenditures	10,500	10,500	569	9,931
Capital outlay	2,099	2,099	—	2,099
Total expenditures	<u>537,320</u>	<u>537,320</u>	<u>466,314</u>	<u>71,006</u>
Excess (deficit) of revenues over (under) expenditures	<u>(404,270)</u>	<u>(407,770)</u>	<u>(346,617)</u>	<u>61,153</u>
Other financing sources (uses)				
Transfers from Board of County Commissioners				
	404,270	407,770	407,770	—
Transfers to Board of County Commissioners				
	—	—	(58,748)	(58,748)
Total other financing Sources (uses)	<u>404,270</u>	<u>407,770</u>	<u>349,022</u>	<u>(58,748)</u>
Net change in fund balances	—	—	2,405	2,405
Fund balances - beginning	—	—	—	—
Fund balances - ending	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,405</u>	<u>\$ 2,405</u>

See accompanying notes to the basic financial statements

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

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

YEAR ENDED SEPTEMBER 30, 2018

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final</u>
	<u>Original</u>	<u>Final</u>		<u>Budget Positive (Negative)</u>
Revenues:				
Intergovernmental revenue	\$ 397,055	\$ 397,055	\$ 398,739	\$ 1,684
Investment Income	64	64	125	61
Charges for services	119,733	119,733	121,946	2,213
Fines and forfeitures	<u>66,473</u>	<u>66,473</u>	<u>64,110</u>	<u>(2,363)</u>
Total revenues	<u>583,325</u>	<u>583,325</u>	<u>584,920</u>	<u>1,595</u>
Expenditures:				
Court-related				
Current				
Personal services	551,475	551,475	558,496	(7,021)
Operating expenditures	31,850	31,850	23,524	8,326
Capital outlay	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>583,325</u>	<u>583,325</u>	<u>582,020</u>	<u>1,305</u>
Excess (deficit) of revenues over (under) expenditures	<u>—</u>	<u>—</u>	<u>2,900</u>	<u>2,900</u>
Other financing sources (uses)				
Reversion to State of Florida	<u>—</u>	<u>—</u>	<u>(2,900)</u>	<u>(2,900)</u>
Net change in fund balances	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances - beginning	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances - ending	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>

See accompanying notes to the basic financial statements

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

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

YEAR ENDED SEPTEMBER 30, 2018

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final</u>
	<u>Original</u>	<u>Final</u>		<u>Budget Positive (Negative)</u>
Revenues:				
Charges for services	\$ 38,000	\$ 38,000	\$ 37,639	\$ (361)
Investment income	<u>300</u>	<u>300</u>	<u>263</u>	<u>(37)</u>
Total revenues	<u>38,300</u>	<u>38,300</u>	<u>37,902</u>	<u>(398)</u>
Expenditures:				
General government				
Current				
Operating expenditures	35,300	35,300	385	34,915
Capital outlay	55,000	55,000	—	55,000
Court-related				
Current				
Operating expenditures	29,821	29,821	30,265	(444)
Capital outlay	<u>101,965</u>	<u>101,965</u>	<u>—</u>	<u>101,965</u>
Total expenditures	<u>222,086</u>	<u>222,086</u>	<u>30,650</u>	<u>191,436</u>
Excess (deficit) of revenues over (under) expenditures	<u>(183,786)</u>	<u>(183,786)</u>	<u>7,252</u>	<u>191,038</u>
Net change in fund balances	<u>(183,786)</u>	<u>(183,786)</u>	<u>7,252</u>	<u>191,038</u>
Fund balances - beginning	<u>188,180</u>	<u>188,180</u>	<u>188,180</u>	<u>—</u>
Fund balances - ending	<u>\$ 4,394</u>	<u>\$ 4,394</u>	<u>\$ 195,432</u>	<u>\$ 191,038</u>

See accompanying notes to the basic financial statements

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

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

SEPTEMBER 30, 2018

ASSETS

Cash and Cash Equivalents \$ 143,352

Total Assets **\$ 143,352**

LIABILITIES

Due to individuals 100,440

Due to other funds 23,098

Due to Board of County Commissioners 5,772

Due to other governments 14,042

Total Liabilities **\$ 143,352**

See accompanying notes to the basic financial statements

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

SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

B. Basis of Presentation

Accounts are organized on the basis of fund types, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures as appropriate. Government resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The Clerk utilizes the following fund types:

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

SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Fund Types

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

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

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

Fiduciary Fund Type

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

C. Basis of Accounting

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

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

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

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

SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus

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

E. Budgetary Requirements

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

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

The Clerk’s budget is prepared in three parts:

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

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

SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

F. Cash and Cash Equivalents

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

G. Investments

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

H. Capital Assets

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

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

SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Compensated Absences

The Clerk maintains a policy that permits employees to accumulate earned but unused leave time and compensatory time 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 leave time and compensatory time hours accrued up to a maximum amount.

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

J. Net Assets and Fund Equity

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

K. Restricted Assets

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

L. Use of Estimates

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

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

SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Subsequent Events

The County evaluated subsequent events through June 17, 2019, the date which the financial statements were available to be issued. The County did not have any subsequent events requiring disclosure or recording in these financial statements.

N. Excess Court-related Funds

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

NOTE 2 - CASH AND INVESTMENTS

Cash Deposits

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

Investments

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

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

SEPTEMBER 30, 2018

NOTE 2 - CASH AND INVESTMENTS (continued)

The Clerk held no investments at September 30, 2018.

Interest Rate Risk

At September 30, 2018, the Clerk did not hold any investments that were considered to be an interest rate risk.

Credit Risk

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

Custodial Risk

At September 30, 2018 the Clerk did not hold any deposits or investments that were considered to be a custodial risk.

Concentration of Credit Risk

At September 30, 2018 the Clerk did not hold any deposits or investments that were considered to be a credit risk.

NOTE 3 – EMPLOYEE BENEFITS

RETIREMENT PLAN

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

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

SEPTEMBER 30, 2018

NOTE 3 – EMPLOYEE BENEFITS (continued)

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

Plan Description

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

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

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

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

SEPTEMBER 30, 2018

NOTE 3 – EMPLOYEE BENEFITS (continued)

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

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

Benefits Provided

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

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

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

SEPTEMBER 30, 2018

NOTE 3 – EMPLOYEE BENEFITS (continued)

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

Plan Description

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

Benefits Provided

For the fiscal year ended June 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

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

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

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

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

SEPTEMBER 30, 2018

NOTE 3 – EMPLOYEE BENEFITS (continued)

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2018, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Clerk.

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

Participating employer contributions are based upon statewide rates established by the State of Florida. The Clerk's contributions made to the plans during the years ended September 30, 2018, 2017, and 2016 were \$85,298, \$78,375, and \$80,812 respectively, equal to the actuarially determined contribution requirements for each year. Additional information about pension plans can be found in the County's annual financial statements.

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

SEPTEMBER 30, 2018

NOTE 4 – CHANGES IN LONG-TERM OBLIGATIONS

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

	<u>Balance</u> <u>09/30/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>09/30/18</u>
Accumulated compensated absences	\$ <u>82,528</u>	\$ <u>—</u>	\$ <u>(6,973)</u>	\$ <u>75,555</u>

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

NOTE 5 –RISK MANAGEMENT

The Clerk is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; injuries to employees and the public; or damage to property of others. The Clerk participates in the risk management program through the Franklin County Board of County Commissioners, which uses commercial insurance and a public entity risk pool to cover certain risks from loss.

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

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

NOTE 6 – ENCUMBRANCES

Encumbrances represent commitments related to unperformed contracts for goods and services. They do not constitute expenditures or liabilities. The commitments will be honored in the subsequent year for those that expire at year end. The Clerk had no outstanding encumbrances at September 30, 2018.

COMBINING FINANCIAL STATEMENTS

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

SEPTEMBER 30, 2018

	<u>Jury</u>	<u>General Trust</u>	<u>Child Support</u>	<u>Registry of Court</u>	<u>Total Agency Funds</u>
Assets:					
Cash and cash equivalents	\$ 75	\$ 43,067	\$ 456	\$ 99,754	\$ 143,352
Total assets	<u>75</u>	<u>43,067</u>	<u>456</u>	<u>99,754</u>	<u>143,352</u>
Liabilities:					
Due to individuals	—	341	345	99,754	100,440
Due to other funds	75	22,944	79	—	23,098
Due to Board of County Commissioners	—	5,772	—	—	5,772
Due to other governments	<u>—</u>	<u>14,010</u>	<u>32</u>	<u>—</u>	<u>14,042</u>
Total Liabilities	<u>\$ 75</u>	<u>\$ 43,067</u>	<u>\$ 456</u>	<u>\$ 99,754</u>	<u>\$ 143,352</u>

COMPLIANCE SECTION

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

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

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the general fund of the Office of the Clerk of Circuit Court of Franklin, County, Florida (hereinafter referred to as the "Clerk"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated June 17, 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; and Chapter 10.550, Rules of the Florida Auditor General.

Other Reports

We have issued our Independent Auditors' Report on Internal Control Over financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on Examination of Compliance Requirements in Accordance with Chapter 10.550 Rules of Auditor General. Disclosures in those reports, which are dated June 17, 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. Finding 17-001 was resolved.

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

Other Matters

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

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

Purpose of this Letter

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

Vance CPA LLC

Vance CPA LLC

June 17, 2019

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

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

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

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

We have audited, 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 special purpose financial statements of Franklin County, Florida Clerk of the Circuit Court as of September 30, 2018, and the related notes to the special purpose financial statements, and have issued our report thereon dated June 17, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Clerk's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Clerk'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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Vance CPA LLC

Vance CPA LLC

June 17, 2019

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

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

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

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

Report on Compliance

We have examined the Office of the Clerk of the Circuit Court of Franklin County, Florida's (hereinafter referred to as the "Clerk") compliance with Florida Statute 218.415 in regards to investments, Section 61.181 Florida Statutes regarding alimony and child support payments, and Florida Statutes 28.35 and 28.36 in regards to certain court-related functions for the year ended September 30, 2018.

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

Scope

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

Opinion

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

Vance CPA LLC

Vance CPA LLC

June 17, 2019

Franklin County, Florida
Sheriff

Special-Purpose
Financial Statements
September 30, 2018

Vance CPA LLC

Certified Public Accountant

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

**FRANKLIN COUNTY SHERIFF
SEPTEMBER 30, 2018**

TABLE OF CONTENTS

Independent Auditor’s Report	1
Special-Purpose Financial Statements	
Special-Purpose Balance Sheet – Governmental Funds	3
Special-Purpose Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	4
Special-Purpose Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	5
Statement of Fiduciary Assets and Liabilities – Agency Funds	6
Notes to Special-Purpose Financial Statements	7
Combining Financial Statements	
Combining Balance Sheet – Other Governmental Funds – Special Revenue Funds	19
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds – Special Revenue Funds	20
Combining Statement of Fiduciary Assets and Liabilities – Agency Funds	22
Compliance Section	
Independent Auditor’s Management Letter	24
Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26
Independent Auditors’ Report on Examination of Compliance Requirements in Accordance with Chapter 10.550, <i>Rules of the Auditor General</i>	28

Vance CPA LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

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

INDEPENDENT AUDITORS' REPORT

To the Honorable A. J. Smith
Franklin County Sheriff
Franklin County, Florida

Report on the Financial Statements

We have audited the accompanying fund financial statements of each major fund and the aggregate remaining fund information of the Franklin County, Florida Sheriff (the "Sheriff"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Sheriff's fund financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the funds of the Sheriff as of September 30, 2018, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements referred to above have been prepared for the purpose of complying with the Rules of the Auditor General, State of Florida. In conformity with the Rules, the accompanying financial statements are intended to present the financial position and changes in financial position of each major fund, and aggregate remaining fund information, only for that portion of the major funds, and the aggregate remaining fund information, of Franklin County, Florida that is attributable to the Sheriff. They do not purport to, and do not, present fairly the financial position of Franklin County, Florida as of September 30, 2018, and the changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to these matters.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2019 and on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters under the heading "Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*". The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sheriff's internal control over financial reporting and compliance.

Vance CPA LLC

Vance CPA LLC
June 17, 2019

**FRANKLIN COUNTY, FLORIDA
SHERIFF**

**SPECIAL-PURPOSE BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

	<u>General Fund</u>	<u>Prisoner Welfare Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 1,274	\$ 29,138	\$ 11,623	\$ 42,035
Total Assets	<u>1,274</u>	<u>29,138</u>	<u>11,623</u>	<u>42,035</u>
Liabilities and fund balances:				
Liabilities				
Due to other funds	<u>1,274</u>	—	—	<u>1,274</u>
Total Liabilities	<u>1,274</u>	<u>—</u>	<u>—</u>	<u>1,274</u>
Fund Balance:				
Restricted	—	—	11,623	11,623
Assigned	—	29,138	—	29,138
Unassigned	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total fund balances	<u>—</u>	<u>29,138</u>	<u>11,623</u>	<u>40,761</u>
Total Liabilities and Fund Balances	<u><u>\$ 1,274</u></u>	<u><u>\$ 29,138</u></u>	<u><u>\$ 11,623</u></u>	<u><u>\$ 42,035</u></u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
SHERIFF**

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

YEAR ENDED SEPTEMBER 30, 2018

	<u>General Fund</u>	<u>Prisoner Welfare Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Intergovernmental	\$ 175,416	\$ —	\$ —	\$ 175,416
Miscellaneous	33,760	56,829	22,150	112,739
Total revenues	<u>209,176</u>	<u>56,829</u>	<u>22,150</u>	<u>288,155</u>
Expenditures:				
Public safety				
Law enforcement				
Current				
Personal services	2,820,713	—	—	2,820,713
Operating expenditures	780,099	—	24,922	805,021
Capital outlay	<u>65,279</u>	<u>—</u>	<u>—</u>	<u>65,279</u>
Total law enforcement	<u>3,666,091</u>	<u>—</u>	<u>24,922</u>	<u>3,691,013</u>
Corrections				
Current				
Personal services	1,127,979	—	—	1,127,979
Operating expenditures	631,745	45,382	—	677,127
Capital outlay	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total corrections	<u>1,759,724</u>	<u>45,382</u>	<u>—</u>	<u>1,805,106</u>
Total expenditures	<u>5,425,815</u>	<u>45,382</u>	<u>24,922</u>	<u>5,496,119</u>
Excess (deficit) of revenues over (Under) Expenditures	(5,216,639)	11,447	(2,772)	(5,207,964)
Other financing sources (uses)				
Transfers in	5,217,913	—	—	5,217,913
Transfers to Board of County Commissioners	<u>(1,274)</u>	<u>—</u>	<u>—</u>	<u>(1,274)</u>
Total other financing Sources (uses)	<u>5,216,639</u>	<u>—</u>	<u>—</u>	<u>5,216,639</u>
Net change in fund balances	—	11,447	(2,772)	8,675
Fund balances - beginning	<u>—</u>	<u>17,691</u>	<u>14,395</u>	<u>32,086</u>
Fund balance - ending	<u>\$ —</u>	<u>\$ 29,138</u>	<u>\$ 11,623</u>	<u>\$ 40,761</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
SHERIFF**

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

YEAR ENDED SEPTEMBER 30, 2018

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 115,448	\$ 243,949	\$ 175,416	\$ (68,533)
Miscellaneous	—	—	33,760	33,760
Total revenues	<u>115,448</u>	<u>243,949</u>	<u>209,176</u>	<u>(34,773)</u>
Expenditures:				
Public Safety				
Law enforcement				
Current				
Personal services	2,734,135	2,734,135	2,820,713	86,578
Operating expenditures	489,900	618,401	780,099	161,698
Capital outlay	106,000	106,000	65,279	(40,721)
Total law enforcement	<u>3,330,035</u>	<u>3,458,536</u>	<u>3,666,091</u>	<u>207,555</u>
Corrections				
Current				
Personal services	1,423,604	1,423,604	1,127,979	(295,625)
Operating expenditures	582,800	582,800	631,745	48,945
Total corrections	<u>2,006,404</u>	<u>2,006,404</u>	<u>1,759,724</u>	<u>(246,680)</u>
Total expenditures	<u>5,336,439</u>	<u>5,464,940</u>	<u>5,425,815</u>	<u>(39,125)</u>
Excess (deficit) of revenues over (under) expenditures	<u>(5,220,991)</u>	<u>(5,220,991)</u>	<u>(5,216,639)</u>	<u>4,352</u>
Other financing sources (uses)				
Transfers in	5,220,991	5,220,991	5,217,913	(3,078)
Transfers out	—	—	(1,274)	(1,274)
Total other financing Sources (uses)	<u>5,220,991</u>	<u>5,220,991</u>	<u>5,216,639</u>	<u>(4,352)</u>
Net change in fund balances	—	—	—	—
Fund balances - beginning	—	—	—	—
Fund balances - ending	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
SHERIFF**

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

SEPTEMBER 30, 2018

ASSETS

Cash and Cash Equivalents \$ 221,859

Total Assets **\$ 221,859**

LIABILITIES

Due to individuals 221,859

Total Liabilities **\$ 221,859**

See accompanying notes to the basic financial statements

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

SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

B. Basis of Presentation

Accounts are organized on the basis of fund types, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures as appropriate. Government resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The Sheriff utilizes the following fund types:

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

SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Fund Types

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

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

Fiduciary Fund Types

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

C. Basis of Accounting

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

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

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

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

SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus

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

E. Budgets and Budgetary Accounting

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

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

F. Net Position and Fund Equity

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

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

SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Restricted Assets

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

H. Compensated Absences

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

I. Cash and Cash Equivalents

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

J. Capital Assets

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

K. Subsequent Events

The County evaluated subsequent events through June 17, 2019, the date which the financial statements were available to be issued. The County did not have any subsequent events requiring disclosure or recording in these financial statements.

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

SEPTEMBER 30, 2018

NOTE 2 - CASH AND INVESTMENTS

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

The Sheriff held no investments at September 30, 2018.

Interest Rate Risk

At September 30, 2018 the Sheriff did not hold any investments that were considered to be an interest rate risk.

Credit Risk

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

Custodial Risk

At September 30, 2018 the Sheriff did not hold any deposits or investment that was considered to be a custodial risk.

Concentration of Credit Risk

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

NOTE 3 – CAPITAL ASSETS

Changes in the capital assets accounted for and maintained by the Sheriff for the year ended September 30, 2018 are summarized as follows:

	<u>Balance</u> <u>9/30/2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>9/30/2018</u>
Machinery, furniture & equipment	\$3,587,049	\$ 65,279	\$ —	\$ 3,652,328
Accumulated depreciation	<u>(3,367,175)</u>	<u>(15,468)</u>	<u>—</u>	<u>(3,382,643)</u>
Capital assets - net	<u>\$ 219,874</u>	<u>\$ 49,811</u>	<u>\$ —</u>	<u>\$ 269,685</u>

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

SEPTEMBER 30, 2018

NOTE 4 – EMPLOYEE BENEFITS

RETIREMENT PLAN

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

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

Plan Description

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

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

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

SEPTEMBER 30, 2018

NOTE 4 – EMPLOYEE BENEFITS (continued)

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

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

Benefits Provided

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

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

SEPTEMBER 30, 2018

NOTE 4 – EMPLOYEE BENEFITS (continued)

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

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

Plan Description

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

Benefits Provided

For the fiscal year ended June 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

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

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

SEPTEMBER 30, 2018

NOTE 4 – EMPLOYEE BENEFITS (continued)

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

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2018, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Sheriff.

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

SEPTEMBER 30, 2018

NOTE 4 – EMPLOYEE BENEFITS (continued)

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

Participating employer contributions are based upon statewide rates established by the State of Florida. The Sheriff’s contributions made to the plans during the years ended September 30, 2018, 2017, and 2016 were \$508,371, \$545,622, and \$519,453 respectively, equal to the actuarially determined contribution requirements for each year. Additional information about pension plans can be found in the County’s annual financial statements.

NOTE 5 – CHANGES IN LONG-TERM OBLIGATIONS

	<u>Balance</u> <u>09/30/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>09/30/18</u>
Accumulated compensated absences	\$ 250,564	\$ 60,254	\$ —	\$ 310,818

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

NOTE 6 – OTHER DISCLOSURES

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

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

SEPTEMBER 30, 2018

NOTE 7 – RISK MANAGEMENT

The Sheriff participates in the Florida Sheriff Self-Insurance Fund, which is considered a public entity risk pool which purchases insurance policies on behalf of its members. The pool's members are not obligated for risk associated with such coverage. Coverage under these programs include; general liability, public employees blanket bond, automobiles and money and securities coverage.

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

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

In addition, the Sheriff participates in the Florida Self-Insurance Fund for risks related to professional liability and public officials' coverage. The funding agreement provides that the liability fund will be self-sustaining through member premiums and that it will reinsure through commercial companies. Aggregate coverage provided by the liability fund is \$3,300,000 for professional liability and \$3,200,000 for public officials' coverage.

COMBINING FINANCIAL STATEMENTS

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

SEPTEMBER 30, 2018

	<u>Families in Crisis</u>	<u>Forfeiture Fund</u>	<u>Employee Fund</u>	<u>Kids with Cops</u>	<u>Senior Citizen Fund</u>	<u>Total Other Governmental Fund</u>
Assets						
Cash and cash equivalents	\$ 3,642	\$ —	\$ 3,353	\$ 1,563	\$ 3,065	\$ 11,623
Total Assets	<u>3,642</u>	<u>—</u>	<u>3,353</u>	<u>1,563</u>	<u>3,065</u>	<u>11,623</u>
Liabilities & Fund Balance						
Liabilities						
Accounts payable	—	—	—	—	—	—
Total Liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund Balance						
Restricted	3,642	—	3,353	1,563	3,065	11,623
Total Fund Balance	<u>3,642</u>	<u>—</u>	<u>3,353</u>	<u>1,563</u>	<u>3,065</u>	<u>11,623</u>
Total Liabilities and Fund Balance	<u>\$ 3,642</u>	<u>\$ —</u>	<u>\$ 3,353</u>	<u>\$ 1,563</u>	<u>\$ 3,065</u>	<u>\$ 11,623</u>

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

YEAR ENDED SEPTEMBER 30, 2018

	<u>Families in Crisis</u>	<u>Forfeiture Fund</u>	<u>Employee Fund</u>	<u>Kids with Cops</u>	<u>Senior Citizen Fund</u>	<u>Total Other Governmental Fund</u>
Revenues						
Miscellaneous	\$ 1,255	\$ 25	\$ 13,454	\$ 7,194	\$ 222	\$ 22,150
Total Revenues	<u>1,255</u>	<u>25</u>	<u>13,454</u>	<u>7,194</u>	<u>222</u>	<u>22,150</u>
Expenditures						
Public Safety Law Enforcement Current Operating Expenditures	<u>369</u>	<u>4,017</u>	<u>13,121</u>	<u>7,415</u>	<u>—</u>	<u>24,922</u>
Total Law Enforcement	<u>369</u>	<u>4,017</u>	<u>13,121</u>	<u>7,415</u>	<u>—</u>	<u>24,922</u>
Excess (deficit) of revenues over (under) expenditures	<u>886</u>	<u>(3,992)</u>	<u>333</u>	<u>(221)</u>	<u>222</u>	<u>(2,772)</u>
Fund balances – beginning of year	<u>2,756</u>	<u>3,992</u>	<u>3,020</u>	<u>1,784</u>	<u>2,843</u>	<u>14,395</u>
Fund balances – end of year	<u><u>\$ 3,642</u></u>	<u><u>\$ —</u></u>	<u><u>\$ 3,353</u></u>	<u><u>\$ 1,563</u></u>	<u><u>\$ 3,065</u></u>	<u><u>\$ 11,623</u></u>

AGENCY FUNDS

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

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

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

SEPTEMBER 30, 2018

	<u>Bonds</u>	<u>Inmate Trust</u>	<u>Total Agency Funds</u>
Assets:			
Cash and cash equivalents	\$ 216,200	\$ 5,659	\$ 221,859
Total Assets	<u>216,200</u>	<u>5,659</u>	<u>221,859</u>
Liabilities:			
Due to individuals	216,200	5,659	221,859
Total Liabilities	<u>\$ 216,200</u>	<u>\$ 5,659</u>	<u>\$ 221,859</u>

COMPLIANCE SECTION

Vance CPA LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

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

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

To the Honorable A. J. Smith
Franklin County Sheriff
Franklin County, Florida

Report on the Financial Statements

We have audited the financial statements (hereinafter referred to as "financial statements") of the general fund and the aggregate remaining fund information of the Office of the Sheriff of Franklin County, Florida (hereinafter referred to as "Sheriff"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated June 17, 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; and Chapter 10.550, Rules of the Florida Auditor General.

Other Reports

We have issued our Independent Auditors' Report on Internal Control Over financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on Examination of Compliance Requirements in Accordance with Chapter 10.550 Rules of Auditor General. Disclosures in those reports, which are dated June 17, 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 the extent considered necessary, other than for those comments repeated in the Report on Internal Control over financial reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

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

Other Matters

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

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

Purpose of this Letter

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

Vance CPA LLC

Vance CPA LLC
June 17, 2019

Vance CPA LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

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

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

To the Honorable A. J. Smith
Franklin County Sheriff
Franklin County, Florida

We have audited the accompanying special-purpose financial statements of each major fund and the aggregate remaining fund information of the Franklin County, Florida, Sheriff, as of and for the year ended September 30, 2018, and have issued our report thereon dated June 17, 2019, which describes that such special-purpose financial statements have been prepared for the purpose of complying with section 218.39, *Florida Statutes*, and Chapter 10.577(3), *Rules of the Auditor General for Local Government Entity Audits*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Sheriff's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control. Accordingly, we do not express an opinion the effectiveness of the Sheriff'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 the following deficiency in internal control that we consider to be a material weaknesses.

2018-01 (Prior year 2017-02, 2016-02, 2015-02, 2014-02, 13-02, 12-02 ,11-02, 10-02 and 09-02)
Significant adjustments to the financial records were made in order for the financial statements to conform to generally accepted accounting principles.

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

Compliance and Other Matters

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

Response to Findings

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

Purpose of this Report

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

Vance CPA LLC

Vance CPA LLC
June 17, 2019

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

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

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

To the Honorable A. J. Smith
Franklin County Sheriff
Franklin County, Florida

Report on Compliance

We have examined the Office of the Sheriff of Franklin County, Florida's (hereinafter referred to as the "Sheriff") compliance with Florida Statute 218.415 in regards to investments for the year ended September 30, 2018.

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

Scope

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

Opinion

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

Vance CPA LLC

Vance CPA LLC

June 17, 2019

Franklin County, Florida
Tax Collector

Special-Purpose
Financial Statements
September 30, 2018

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E • Apalachicola, FL 32820

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

**FRANKLIN COUNTY, FLORIDA
TAX COLLECTOR
SEPTEMBER 30, 2018**

TABLE OF CONTENTS

Independent Auditor’s Report	1
Special-Purpose Financial Statements	
Special-Purpose Balance Sheet – General Fund	3
Special-Purpose Statement of Revenues, Expenditures, and Changes in Fund Balances – General Fund	4
Special-Purpose Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	5
Statement of Fiduciary Assets and Liabilities – Agency Funds	6
Notes to Special-Purpose Financial Statements	7
Combining Financial Statements	
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds	19
Compliance Section	
Independent Auditor’s Management Letter	21
Independent Auditor’s Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23
Independent Auditors’ Report on Examination of Compliance Requirements in Accordance with Chapter 10.550, <i>Rules of the Auditor General</i>	25

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

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

INDEPENDENT AUDITORS' REPORT

To the Honorable Rick Watson
Franklin County Tax Collector
Franklin County, Florida

Report on the Financial Statements

We have audited the accompanying fund financial statements of each major fund and the aggregate remaining fund information of the Franklin County, Florida Tax Collector (the "Tax Collector"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Tax Collector's fund financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditor's Responsibility

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the funds of the Tax Collector as of September 30, 2018, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements referred to above were prepared solely for the purpose of complying with the rules of the Auditor General of the State of Florida. In conformity with the Rules, the accompanying financial statements are intended to present the financial position and changes in financial position of the general fund and tax fund of Franklin County that is attributable to the Tax Collector. They do not purport to, and do not, present fairly the financial position of Franklin County as of September 30, 2018, and the changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2018 on our consideration of the Tax Collector's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters under the heading "Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*". The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tax Collector's internal control over financial reporting and compliance.

Vance CPA LLC

Vance CPA LLC
June 20, 2019

**FRANKLIN COUNTY, FLORIDA
TAX COLLECTOR**

**SPECIAL-PURPOSE BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

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

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
TAX COLLECTOR**

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

YEAR ENDED SEPTEMBER 30, 2018

	<u>General Fund</u>
REVENUES	
Miscellaneous	\$ 3,490
Total Revenues	<u>3,490</u>
EXPENDITURES	
Current	
Personal services	470,182
Operating expenditures	<u>129,574</u>
Total Expenditures	<u>599,756</u>
Excess (deficit) of revenues over (under) expenditures	<u>(599,756)</u>
Other financing sources (uses)	
Transfers from Board of County Commissioners	606,195
Transfers to Board of County Commissioners	<u>(9,929)</u>
Total Other Financing Sources (Uses)	<u>599,756</u>
Net change in fund balances	<u>—</u>
Fund balances - beginning	<u>—</u>
Fund balances - ending	<u>\$ —</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
TAX COLLECTOR**

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

YEAR ENDED SEPTEMBER 30, 2018

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final</u>
	<u>Original</u>	<u>Final</u>		<u>Budget Positive (Negative)</u>
Revenues	\$ —	\$ —	\$ 3,490	\$ 3,490
Expenditures:				
General Government				
Current				
Personal services	504,195	504,195	470,182	34,013
Operating expenditures	102,000	102,000	129,574	(27,574)
Capital outlay	—	—	—	—
Total expenditures	<u>606,195</u>	<u>606,195</u>	<u>599,756</u>	<u>6,439</u>
Excess (deficit) of revenues over (under) expenditures	<u>(606,195)</u>	<u>(606,195)</u>	<u>(596,266)</u>	<u>9,929</u>
Other financing sources (uses)				
Transfers from Board of County Commissioners	606,195	606,195	606,195	—
Transfers to Board of County Commissioners	—	—	(9,929)	(9,929)
Total other financing Sources (uses)	<u>606,195</u>	<u>606,195</u>	<u>596,266</u>	<u>(9,929)</u>
Net change in fund balances	—	—	—	—
Fund balances - beginning	—	—	—	—
Fund balances - ending	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
TAX COLLECTOR**

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

SEPTEMBER 30, 2018

ASSETS

Cash and Cash Equivalents	<u>\$ 395,995</u>
---------------------------	-------------------

LIABILITIES

Due to other governments	390,677
Escrow deposits	<u>5,318</u>
Total Liabilities	<u>\$ 395,995</u>

See accompanying notes to the basic financial statements

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

SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

B. Basis of Presentation – Fund Accounting

Accounts are organized on the basis of fund types, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures as appropriate. Government resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The Tax Collector utilizes the following fund types:

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

SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Fund Types

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

Fiduciary Fund Type

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

C. Basis of Accounting

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

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

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

D. Measurement Focus

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

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

SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgetary Requirements

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

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

F. Capital Assets

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

G. Compensated Absences

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

H. Net Assets and Fund Equity

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

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

SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Restricted Assets

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

J. Use of Estimates

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

Property Tax Collections

Chapter 197, Florida Statutes, governs property tax collections.

■ **Current Taxes**

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

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

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

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

SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

■ **Tax Deeds**

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

K. Subsequent Events

The County evaluated subsequent events through June 20, 2019, the date which the financial statements were available to be issued. The County did not have any subsequent events requiring disclosure or recording in these financial statements.

NOTE 2 - CASH AND INVESTMENTS

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

Investments

The Tax Collector held no investments at September 30, 2018.

Interest Rate Risk

At September 30, 2018, the Tax Collector did not hold any investments that were considered to be an interest rate risk.

Credit Risk

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

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

SEPTEMBER 30, 2018

NOTE 2 - CASH AND INVESTMENTS (continued)

Custodial Risk

At September 30, 2018 the Tax Collector did not hold any deposits or investments that were considered to be a custodial risk.

Concentration of Credit Risk

At September 30, 2018 the Tax Collector did not hold any deposits or investments that were considered to be a credit risk.

NOTE 3 – EMPLOYEE BENEFITS

RETIREMENT PLAN

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

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

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

SEPTEMBER 30, 2018

NOTE 3 – EMPLOYEE BENEFITS (continued)

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

Plan Description

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

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

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

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

SEPTEMBER 30, 2018

NOTE 3 – EMPLOYEE BENEFITS (continued)

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

Benefits Provided

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

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

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

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

SEPTEMBER 30, 2018

NOTE 3 – EMPLOYEE BENEFITS (continued)

Plan Description

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

Benefits Provided

For the fiscal year ended June 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

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

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

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

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

SEPTEMBER 30, 2018

NOTE 3 – EMPLOYEE BENEFITS (continued)

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2018, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Tax Collector.

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

Participating employer contributions are based upon statewide rates established by the State of Florida. The Tax Collector's contributions made to the plans during the years ended September 30, 2018, 2017, and 2016 were \$68,800, \$70,744, and \$66,050 respectively, equal to the actuarially determined contribution requirements for each year. Additional information about pension plans can be found in the County's annual financial statements.

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

SEPTEMBER 30, 2018

NOTE 4 – RISK MANAGEMENT

The Tax Collector is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; injuries to employees and the public; or damage to property of others. The Tax Collector participates in the risk management program through the Franklin County Board of County Commissioners, which uses commercial insurance to cover certain risks from loss.

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

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

COMBINING FINANCIAL STATEMENTS

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

SEPTEMBER 30, 2018

	<u>Taxes</u>	<u>Tag</u>	<u>Total Agency Funds</u>
Assets:			
Cash and cash equivalents	<u>\$ 390,677</u>	<u>\$ 5,318</u>	<u>\$ 395,995</u>
Liabilities:			
Due to other governments	385,359	5,318	390,677
Escrow deposits	<u>5,318</u>	<u>—</u>	<u>5,318</u>
Total Liabilities	<u>\$ 390,677</u>	<u>\$ 5,318</u>	<u>\$ 395,995</u>

COMPLIANCE SECTION

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

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

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

To the Honorable Rick Watson
Franklin County Tax Collector
Franklin County, Florida

Report on the Financial Statements

We have audited the financial statements (hereinafter referred to as "financial statements") of the general fund and the tax fund of the Office of the Tax Collector of Franklin County, Florida (hereinafter referred to as "Tax Collector"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated June 20, 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; and Chapter 10.550, Rules of the Florida Auditor General.

Other Reports

We have issued our Independent Auditors' Report on Internal Control Over financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on Examination of Compliance Requirements in Accordance with Chapter 10.550 Rules of Auditor General. Disclosures in those reports, which are dated June 20, 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 the extent considered necessary, other than for those comments repeated in the Report on Internal Control over financial reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

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

Other Matters

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

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

Purpose of this Letter

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

Vance CPA LLC

Vance CPA LLC

June 20, 2019

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

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

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

To the Honorable Rick Watson
Franklin County Tax Collector
Franklin County, Florida

We have audited the accompanying special-purpose financial statements of the Franklin County, Florida, Tax Collector, as of and for the year ended September 30, 2018, and have issued our report thereon dated June 20, 2019, which describes that such special-purpose financial statements have been prepared for the purpose of complying with section 218.39, *Florida Statutes*, and Chapter 10.577(3), *Rules of the Auditor General for Local Government Entity Audits*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tax Collector'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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Vance CPA LLC

Vance CPA LLC
June 20, 2019

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

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

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

To the Honorable Rick Watson
Franklin County Tax Collector
Franklin County, Florida

Report on Compliance

We have examined the Office of the Tax Collector of Franklin County, Florida's (hereinafter referred to as the "Tax Collector") compliance with Florida Statute 218.415 in regards to investments for the year ended September 30, 2018.

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

Scope

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

Opinion

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

Vance CPA LLC

Vance CPA LLC

June 20, 2019

Franklin County, Florida
Property Appraiser

Special-Purpose
Financial Statements
September 30, 2018

Vance CPA, LLC

Certified Public Accountant

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

**FRANKLIN COUNTY, FLORIDA
PROPERTY APPRAISER
SEPTEMBER 30, 2018**

TABLE OF CONTENTS

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

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying fund financial statements of the major fund of the Franklin County, Florida Property Appraiser (the "Appraiser"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Appraiser's fund financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditor's Responsibility

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the fund of the Property Appraiser as of September 30, 2018, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements referred to above have been prepared for the purpose of complying with Rules of the Auditor General of the State of Florida. In conformity with the Rules, the accompanying financial statements are intended to present the financial position and changes in financial position of each major fund, and aggregate remaining fund information, only for that portion of the major funds, and the aggregate remaining fund information, of Franklin County, Florida that is attributable to the Property Appraiser. They do not purport to, and do not, present fairly the financial position of Franklin County, Florida as of September 30, 2018, and the changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to these matters.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2019 and on our consideration of the Property Appraiser's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters under the heading "Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*". 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 Property Appraiser's internal control over financial reporting and compliance.

Vance CPA LLC

Vance CPA LLC
June 17, 2019

**FRANKLIN COUNTY, FLORIDA
PROPERTY APPRAISER**

**SPECIAL-PURPOSE BALANCE SHEET
GENERAL FUND**

SEPTEMBER 30, 2018

	<u>General Fund</u>
ASSETS	
Cash	<u>\$ 1,296</u>
Total Assets	<u>1,296</u>
LIABILITIES AND FUND BALANCES	
Due to Board of County Commissioners	<u>1,296</u>
Total Liabilities	<u>1,296</u>
Fund Balances	<u>—</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ —</u></u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
PROPERTY APPRAISER**

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

YEAR ENDED SEPTEMBER 30, 2018

	<u>General Fund</u>
REVENUES	
Other Income	\$ —
Total Revenues	<u>—</u>
EXPENDITURES	
General government	
Current	
Personal services	508,937
Operating expenditures	104,535
Capital outlay	<u>19,858</u>
Total Expenditures	<u>633,330</u>
Excess (deficit) of revenues over (under) expenditures	<u>(633,330)</u>
Other financing sources (uses)	
Transfers from Board of County Commissioners	650,627
Transfers to Board of County Commissioners	<u>(17,297)</u>
Total Other Financing Sources (Uses)	<u>633,330</u>
Net change in fund balances	<u>—</u>
Fund balances - beginning	<u>—</u>
Fund balances - ending	<u><u>\$ —</u></u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
PROPERTY APPRAISER**

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

YEAR ENDED SEPTEMBER 30, 2018

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Other Income	—	—	—	—
Total revenues	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Expenditures:				
General Government				
Current				
Personal services	504,457	519,841	508,937	10,904
Operating expenditures	130,504	130,786	104,535	26,251
Capital outlay	—	—	19,858	(19,858)
Total expenditures	<u>634,961</u>	<u>650,627</u>	<u>633,330</u>	<u>17,297</u>
Excess (deficit) of revenues over (under) expenditures	<u>(634,961)</u>	<u>(650,627)</u>	<u>(633,330)</u>	<u>17,297</u>
Other financing sources (uses)				
Transfers from Board of County Commissioners	634,961	650,627	650,627	—
Transfers to Board of County Commissioners	—	—	(17,297)	(17,297)
Total other financing Sources (uses)	<u>634,961</u>	<u>650,627</u>	<u>633,330</u>	<u>(17,297)</u>
Net change in fund balances	—	—	—	—
Fund balances - beginning	—	—	—	—
Fund balances - ending	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

See accompanying notes to the basic financial statements

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

SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

B. Basis of Presentation – Fund Accounting

Accounts are organized on the basis of fund types, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures as appropriate. Government resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The Property Appraiser utilizes the following fund types:

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

SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Fund Types

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

C. Basis of Accounting

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

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

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

D. Measurement Focus

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

E. Budgetary Requirements

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

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

SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

F. Capital Assets

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

G. Compensated Absences

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

H. Net Assets and Fund Equity

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

I. Restricted Assets

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

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

SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Use of Estimates

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

K. Subsequent Events

The County evaluated subsequent events through June 17, 2019, the date which the financial statements were available to be issued. The County did not have any subsequent events requiring disclosure or recording in these financial statements.

NOTE 2 - CASH AND INVESTMENTS

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

Investments

The Property Appraiser held no investments at September 30, 2018.

Interest Rate Risk

At September 30, 2018, the Property Appraiser did not hold any investments that were considered to be an interest rate risk.

Credit Risk

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

Custodial Risk

At September 30, 2018 the Property Appraiser did not hold any deposits or investments that were considered to be a custodial risk.

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

SEPTEMBER 30, 2018

NOTE 2 - CASH AND INVESTMENTS (continued)

Concentration of Credit Risk

At September 30, 2018 the Property Appraiser did not hold any deposits or investments that were considered to be a credit risk.

NOTE 3 – EMPLOYEE BENEFITS

RETIREMENT PLAN

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

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

Plan Description

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

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

SEPTEMBER 30, 2018

NOTE 3 – EMPLOYEE BENEFITS (continued)

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

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

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

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

SEPTEMBER 30, 2018

NOTE 3 – EMPLOYEE BENEFITS (continued)

Benefits Provided

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

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

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

Plan Description

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

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

SEPTEMBER 30, 2018

NOTE 3 – EMPLOYEE BENEFITS (continued)

Benefits Provided

For the fiscal year ended June 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

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

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

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

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

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

SEPTEMBER 30, 2018

NOTE 3 – EMPLOYEE BENEFITS (continued)

Pension Plan is transferred to the Investment Plan, the member must have the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2018, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Property Appraiser.

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

Participating employer contributions are based upon statewide rates established by the State of Florida. The Property Appraiser's contributions made to the plans during the years ended September 30, 2018, 2017, and 2016 were \$78,457, \$69,981, and \$67,425 respectively, equal to the actuarially determined contribution requirements for each year. Additional information about pension plans can be found in the County's annual financial statements.

NOTE 4 – RISK MANAGEMENT

The Property Appraiser is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; injuries to employees and the public; or damage to property of others. The Property Appraiser participates in the risk management program through the Franklin County Board of County Commissioners, which uses commercial insurance to cover certain risks from loss.

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

SEPTEMBER 30, 2018

NOTE 4 –RISK MANAGEMENT (continued)

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

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

COMPLIANCE SECTION

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

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

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the general fund of the Office of the Property Appraiser of Franklin, County, Florida (hereinafter referred to as the "Property Appraiser"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated June 17, 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; and Chapter 10.550, Rules of the Florida Auditor General.

Other Reports

We have issued our Independent Auditors' Report on Internal Control Over financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on Examination of Compliance Requirements in Accordance with Chapter 10.550 Rules of Auditor General. Disclosures in those reports, which are dated June 17, 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 not been taken.

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

Other Matters

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

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

Purpose of this Letter

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

Vance CPA LLC

Vance CPA LLC

June 17, 2019

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

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

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

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

We have audited, 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 special purpose financial statements of the Franklin County, Florida Property Appraiser as of and for the year ended September 30, 2018, and the related notes to the special purpose financial statements, and have issued our report thereon dated June 17, 2019.

Internal Control Over Financial Reporting

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

2018-001 (Prior year 2017-001, 2016-001, 2015-001, 2014-001, 13-01, 12-03, 11-03 10-03 and 09-03)
Inadequate design of internal control over the preparation of the financial statements being audited.

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

Compliance and Other Matters

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

Response to Findings

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

Purpose of this Report

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

Vance CPA LLC

Vance CPA LLC

June 17, 2019

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

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

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

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

Report on Compliance

We have examined the Office of the Property Appraiser' of Franklin County, Florida's (hereinafter referred to as the "Property Appraiser") compliance with Florida Statute 218.415 in regards to investments for the year ended September 30, 2018.

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

Scope

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

Opinion

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

Vance CPA LLC

Vance CPA LLC

June 17, 2019

Franklin County, Florida
Supervisor of Elections

Special-Purpose
Financial Statements
September 30, 2018

Vance CPA, LLC

Certified Public Accountant

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

**FRANKLIN COUNTY SUPERVISOR OF ELECTIONS
SEPTEMBER 30, 2018**

TABLE OF CONTENTS

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

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

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

INDEPENDENT AUDITORS' REPORT

To the Honorable Heather Riley
Franklin County Supervisor of Elections
Franklin County, Florida

Report on the Financial Statements

We have audited the accompanying fund financial statements of the Franklin County, Supervisor of Elections, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Supervisor of Election's fund financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the fund of the Supervisor of Elections as of September 30, 2018, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 to the financial statements, the financial statements referred to above were prepared solely for the purpose of complying with the Rules of the Auditor General of the State of Florida. In conformity with the Rules, the accompanying financial statements are intended to present the financial position and changes in financial position of that portion of the general fund attributable solely to the operations of the Supervisor of Elections. They do not purport to, and do not, present fairly the financial position of Franklin County, Florida, as of September 30, 2018, and the changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2019 on our consideration of the Supervisor of Election's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters under the heading "Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*". The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Supervisor of Election's internal control over financial reporting and compliance.

Vance CPA LLC

Vance CPA LLC
June 17, 2019

**FRANKLIN COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS**

**SPECIAL-PURPOSE BALANCE SHEET
GENERAL FUND
SEPTEMBER 30, 2018**

	<u>General Fund</u>
ASSETS	
Due from other governments	\$ <u>3,079</u>
Total Assets	<u>3,079</u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Due to Board of County Commissioners	<u>3,079</u>
Total Liabilities	<u>3,079</u>
Fund Balances	<u>—</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ —</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS**

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

YEAR ENDED SEPTEMBER 30, 2018

	<u>General Fund</u>
REVENUES	
Intergovernmental	\$ 12,556
Miscellaneous	<u>7,930</u>
Total Revenues	<u>20,486</u>
EXPENDITURES	
General government	
Personal services	236,570
Operating expenditures	<u>121,736</u>
Total Expenditures	<u>358,306</u>
Excess (deficit) of revenues over (under) expenditures	<u>(337,820)</u>
Other financing sources (uses)	
Transfers to Board of County Commissioners	(3,402)
Transfers from Board of County Commissioners	<u>341,222</u>
Total Other Financing Sources (Uses)	<u>337,820</u>
Net change in fund balances	<u>—</u>
Fund balances - beginning	<u>—</u>
Fund balances - ending	<u><u>\$ —</u></u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS**

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

YEAR ENDED SEPTEMBER 30, 2018

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Budget Positive</u>
				<u>(Negative)</u>
Revenues:				
Intergovernmental	\$ —	\$ —	\$ 12,556	\$ 12,556
Miscellaneous	—	—	7,930	7,930
Total revenues	<u>—</u>	<u>—</u>	<u>20,486</u>	<u>20,486</u>
Expenditures:				
General government				
Current				
Personal services	237,135	237,135	236,570	565
Operating expenditures	<u>104,087</u>	<u>104,087</u>	<u>121,736</u>	<u>(17,649)</u>
Total expenditures	<u>341,222</u>	<u>341,222</u>	<u>358,306</u>	<u>(17,084)</u>
Excess (deficit) of revenues over (under) expenditures	<u>(341,222)</u>	<u>(341,222)</u>	<u>(337,820)</u>	<u>3,402</u>
Other financing sources (uses)				
Transfers to Board of County Commissioners	—	—	(3,402)	(3,402)
Transfers from Board of County Commissioners	<u>341,222</u>	<u>341,222</u>	<u>341,222</u>	<u>—</u>
Total other financing Sources (uses)	<u>341,222</u>	<u>341,222</u>	<u>337,820</u>	<u>(3,402)</u>
Net change in fund balances	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances - beginning	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances - ending	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>

See accompanying notes to the basic financial statements

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

SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

B. Basis of Presentation

Accounts are organized on the basis of fund types, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures as appropriate. Government resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The Supervisor of Elections utilizes the following fund type:

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

SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Fund Type

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

C. Basis of Accounting

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

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

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

D. Measurement Focus

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

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

SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgetary Requirements

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

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

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

F. Cash and Cash Equivalents

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

G. Capital Assets

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

H. Compensated Absences

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

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

SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

I. Net Position and Fund Equity

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

J. Restricted Assets

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

K. Use of Estimates

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

L. Subsequent Events

The County evaluated subsequent events through June 17, 2019, the date which the financial statements were available to be issued. The County did not have any subsequent events requiring disclosure or recording in these financial statements.

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

SEPTEMBER 30, 2018

NOTE 2 – CASH AND INVESTMENTS

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

The Supervisor of Elections held no investments at September 30, 2018.

Interest Rate Risk

At September 30, 2018, the Supervisor of Elections did not hold any investments that were considered to be an interest rate risk.

Credit Risk

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

Custodial Risk

At September 30, 2018, the Supervisor of Elections did not hold any deposits or investments that were considered to be a custodial risk.

Concentration of Credit Risk

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

NOTE 3 – EMPLOYEE BENEFITS

RETIREMENT PLAN

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

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

SEPTEMBER 30, 2018

NOTE 3 - EMPLOYEE BENEFITS (continued)

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

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

Plan Description

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

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

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

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

SEPTEMBER 30, 2018

NOTE 3 - EMPLOYEE BENEFITS (continued)

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

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

Benefits Provided

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

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually

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

SEPTEMBER 30, 2018

NOTE 3 - EMPLOYEE BENEFITS (continued)

calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. FRS Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

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

Plan Description

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

Benefits Provided

For the fiscal year ended June 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

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

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

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

SEPTEMBER 30, 2018

NOTE 3 - EMPLOYEE BENEFITS (continued)

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2018, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Supervisor of Elections.

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

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

SEPTEMBER 30, 2018

NOTE 3 - EMPLOYEE BENEFITS (continued)

Participating employer contributions are based upon statewide rates established by the State of Florida. The Supervisor of Election’s contributions made to the plans during the years ended September 30, 2018, 2017, and 2016 were \$54,370, \$46,378, and \$39,344 respectively, equal to the actuarially determined contribution requirements for each year. Additional information about pension plans can be found in the County’s annual financial statements.

NOTE 4 – CHANGES IN LONG-TERM OBLIGATIONS

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

	<u>Balance</u> <u>09/30/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>09/30/18</u>
Accumulated compensated absences	\$ 763	\$ 6,309	\$ —	\$ 7,072

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

NOTE 5 – RISK MANAGEMENT

The Supervisor of elections is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; injuries to employees and/or the public; or damage to property of others. The supervisor of Elections participates in the risk management program through the Franklin County Board of County Commissioners which uses commercial insurance to cover certain risks from loss.

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

- Real and personal property
- Public employees’ bond
- Workers’ compensation
- Automobile liability

COMPLIANCE SECTION

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

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

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

To the Honorable Heather Riley
Franklin County Supervisor of Elections
Franklin County, Florida

Report on the Financial Statements

We have audited the financial statements of the general fund of the Office of the Supervisor of Elections of Franklin, County, Florida (hereinafter referred to as the "Supervisor of Elections"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated June 17, 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; and Chapter 10.550, Rules of the Florida Auditor General.

Other Reports

We have issued our Independent Auditors' Report on Internal Control Over financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on Examination of Compliance Requirements in Accordance with Chapter 10.550 Rules of Auditor General. Disclosures in those reports, which are dated June 17, 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. No corrective action taken on 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. The Supervisor of Elections was established by the Constitution of the State of Florida, Article VIII, Section 1 (d). The Supervisor of Elections has no component units.

Other Matters

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

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

Purpose of this Letter

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

Vance CPA LLC

Vance CPA LLC

June 17, 2019

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

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

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

To the Honorable Heather Riley
Franklin County Supervisor of Elections
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 special purpose financial statements of Franklin County, Florida Supervisor of Elections as of and for the year ended September 30, 2018, and the related notes to the special purpose financial statements, and have issued our report thereon dated June 17, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Supervisor of Election's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Supervisor of Election's internal control. Accordingly, we do not express an opinion on the effectiveness of the Supervisor of Election'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 consider the following deficiencies in internal control to be material weaknesses. (2018-001)

2018-001 (Prior year 2017-001, 2016-001, 15-001, 14-001, 13-01, 12-01, 11-01, 10-01 and 09-01)

Lack of segregation of duties – Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate. The limited number of employees precludes proper segregation of duties in the Supervisor of Election’s office. We recommend that in the absence of the ability to hire additional employees, that mitigating procedures including additional oversight with regard to certain duties be performed regularly to reduce the risks caused by this lack of segregation of duties.

Management’s response – Due to the limited number of employees, it is virtually impossible to maintain complete separation of accounting and administrative duties among employees. However, every effort is being made to accomplish effective internal procedures.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Supervisor of Election’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*.

Response to Findings

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

Purpose of this Report

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

Vance CPA LLC

Vance CPA LLC
June 17, 2019

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

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

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

To the Honorable Heather Riley
Franklin County Supervisor of Elections
Franklin County, Florida

Report on Compliance

We have examined the Office of the Supervisor of Elections' of Franklin County, Florida's (hereinafter referred to as the "Supervisor of Elections") compliance with Florida Statute 218.415 in regards to investments for the year ended September 30, 2018.

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

Scope

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

Opinion

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

Vance CPA LLC

Vance CPA LLC

June 17, 2019

**Hospital Fund of Franklin County, Florida
d/b/a George E. Weems Memorial Hospital**

SPECIAL-PURPOSE FINANCIAL STATEMENTS

For the Year Ended September 30, 2018



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INGRAM

CPAs and Advisors

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**Hospital Fund of Franklin County, Florida
d/b/a George E. Weems Memorial Hospital
Table of Contents
September 30, 2018**

FINANCIAL SECTION

Independent Auditors' Report 1

Financial Statements

Special-Purpose Statement of Net Position 3

Special-Purpose Statement of Revenues, Expenses and Changes in Net Position 4

Special-Purpose Statement of Cash Flows 5

Notes to Special-Purpose Financial Statements 7

COMPLIANCE SECTION

Independent Accountants' Report on An Examination Conducted in
Accordance with AICPA Professional Standards, AT-C Section 315, Regarding
Compliance Requirements in Accordance with Chapter 10.550, *Rules of the
Auditor General* 24

Independent Auditors' 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* 25

Schedule of Findings and Responses 27

Management Letter 30



Carr, Riggs & Ingram, LLC
1117 Boll Weevil Circle
Enterprise, AL 36330

Mailing Address:
P.O. Box 311070
Enterprise, AL 36331

(334) 347-0088
(334) 347-7650 (fax)
www.cricpa.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
George E. Weems Memorial Hospital
Franklin County, Florida
Apalachicola, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Hospital Fund of Franklin County, Florida d/b/a George E. Weems Memorial Hospital (the "Hospital"), an enterprise fund 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 Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

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

Opinion

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Hospital, as of September 30, 2018, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Basis of Accounting

As discussed in Note 1, the financial statements present only the financial information of the Hospital and do not purport to, and do not, present fairly the financial position of Franklin County, Florida as of September 30, 2018, and the changes in its financial position, or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis of Matter – Prior Period Adjustment

As discussed in Note 1 to the financial statements, beginning net position of the Hospital as of October 1, 2017 was restated to reflect the correction of errors. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 29, 2019 on our consideration of the Hospital's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

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

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

March 29, 2019

**Hospital Fund of Franklin County, Florida
d/b/a George E. Weems Memorial Hospital
Special-Purpose Statement of Net Position**

<i>September 30,</i>	2018
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	48,039
Total current assets	2,157,209
Noncurrent assets	
Capital assets	
Land	13,400
Buildings	1,590,309
Equipment and furniture	1,970,706
Construction in progress	1,025,270
Total capital assets	4,599,685
Less accumulated depreciation	(1,767,785)
Capital assets, net of accumulated depreciation	2,831,900
Total assets	\$ 4,989,109
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	109,791
Total liabilities	1,892,879
Net position	
Net investment in capital assets	2,831,900
Unrestricted	264,330
Total net position	3,096,230
Total liabilities and net position	\$ 4,989,109

*The accompanying "Notes to Special-Purpose Financial Statements" form an
integral part of this statement.*

**Hospital Fund of Franklin County, Florida
d/b/a George E. Weems Memorial Hospital
Special-Purpose Statement of Revenues, Expenses and Changes in Net Position**

<i>Year ended September 30,</i>	2018
Operating Revenues	
Net patient service revenue, net of provision for uncollectible accounts of \$1,619,000	\$ 6,392,538
Other operating revenue	24,820
Total operating revenues	6,417,358
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	5,572
Total operating expenses	8,007,742
Operating loss	(1,590,384)
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	(25)
Total nonoperating revenues (expenses)	(14,497)
Loss before transfers	(1,604,881)
Transfers In	2,146,156
Change in net position	541,275
Net Position - beginning of year, as originally stated	3,704,972
Restatement (Note 1)	(1,150,017)
Net Position - beginning of year, as restated	2,554,955
Net Position - end of year	\$ 3,096,230

The accompanying "Notes to Special-Purpose Financial Statements" form an integral part of this statement.

**Hospital Fund of Franklin County, Florida
d/b/a George E. Weems Memorial Hospital
Special-Purpose Statement of Cash Flows**

<i>Year ended September 30,</i>	2018
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	34,530
<hr/>	
Net cash used in operating activities	(1,560,892)
<hr/>	
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	1,806,236
<hr/>	
Net cash provided by noncapital financing activities	1,808,798
<hr/>	
Capital and Related Financing Activities	
Purchase of capital assets	(236,946)
Capital related transfers in	189,723
<hr/>	
Net cash used in capital and related financing activities	(47,223)
<hr/>	
Investing Activities	
Interest received	1,998
<hr/>	
Net increase in cash and cash equivalents	202,681
<hr/>	
Cash and Cash Equivalents - beginning of year	554,120
<hr/>	
Cash and Cash Equivalents - end of year	\$ 756,801

-Continued-

*The accompanying "Notes to Special-Purpose Financial Statements" form an
integral part of this statement.*

**Hospital Fund of Franklin County, Florida
d/b/a George E. Weems Memorial Hospital
Special-Purpose Statement of Cash Flows (Continued)**

<i>Year ended September 30,</i>	2018
Reconciliation of Operating Loss to Net Cash	
Used In Operating Activities:	
Operating loss	\$ (1,590,384)
Adjustments to reconcile operating 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	(193,005)
Net cash used in operating activities	\$ (1,560,892)

The accompanying "Notes to Special-Purpose Financial Statements" form an integral part of this statement.

**Hospital Fund of Franklin County, Florida
d/b/a George E. Weems Memorial Hospital
Notes to Special-Purpose Financial Statements**

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Reporting Entity

The Hospital Fund of Franklin County, Florida, operating as George E. Weems Memorial Hospital (the "Hospital"), is administered by a nine-member board of directors appointed by Franklin County, Florida Board of County Commissioners. The Hospital operates a 25-bed critical access hospital in Apalachicola, Florida providing inpatient and outpatient services, as well as ambulance services and two physician clinics in Franklin County.

Activity and financial position of the Hospital make up the Hospital Fund which is an enterprise fund of Franklin County, Florida.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Hospital operates as a proprietary fund and applies all applicable Governmental Accounting Standards Board (GASB) pronouncements. A proprietary type fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. The Hospital exercises oversight responsibility through designation of management, budgetary review and approval, and financial management.

In accordance with GASB standards, the accompanying financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met. There were no entities that required inclusion as component units within the Hospital's Special Purpose Financial Statements.

Prior Period Adjustment

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).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**Hospital Fund of Franklin County, Florida
d/b/a George E. Weems Memorial Hospital
Notes to Special-Purpose Financial Statements**

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Use of Estimates (Continued)

Significant items subject to such estimates include the determination of the allowances for uncollectible accounts and contractual adjustments and estimated third-party payer settlements. In particular, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs will change by a material amount in the near term.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Hospital purchases medical malpractice under claims-made policies. Under these policies, only claims made and reported to the insurer are covered during the policy term, regardless of when the incident giving rise to the claim occurred.

Fair Value Measurements

The Hospital categorizes its fair value measurements, if any, within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the following valuation inputs and techniques used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets. Quoted price data is generally obtained from exchange or dealer markets.
- Level 2 inputs are significant other observable inputs. Inputs are obtained from various sources, including market participants, dealers, and brokers.
- Level 3 inputs are significant unobservable inputs as they trade infrequently or not at all.

The Hospital did not have any significant assets measured at fair value on a recurring basis requiring disclosure of fair value inputs at September 30, 2018.

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2018, cash equivalents consisted primarily of demand deposits.

**Hospital Fund of Franklin County, Florida
d/b/a George E. Weems Memorial Hospital
Notes to Special-Purpose Financial Statements**

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Patient Accounts Receivable, Net

Patient accounts receivable are reduced by estimated contractual and other adjustments and estimated uncollectible accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowances for third-party contractual and other adjustments and bad debt. Management reviews data about these major payer sources of revenue on a monthly basis in evaluating the sufficiency of the allowances. On a continuing basis, management analyzes delinquent receivables and writes them off against the allowance when deemed uncollectible. No interest is charged on patient accounts receivable balances.

For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for contractual adjustments and, if necessary, a provision for bad debts (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with uninsured patients (also known as 'self-pay'), which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many uninsured patients are often either unable or unwilling to pay the full portion of their bill for which they are financially responsible. The difference between standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The Hospital has not materially altered its accounts receivable and revenue recognition policies during fiscal year 2018 and did not have significant write-offs from third-party payers related to collectability in fiscal year 2018.

Supplies

Supply inventories, which consist of medical supplies and pharmaceuticals, are stated at the lower of cost or market, determined using the first-in, first-out method. Pharmaceutical inventories are subject to a capitalization threshold, resulting in the expensing of insignificant drugs during the year.

Prepaid Expenses

Prepaid expenses are amortized over the estimated period of future benefit, generally on a straight-line basis.

**Hospital Fund of Franklin County, Florida
d/b/a George E. Weems Memorial Hospital
Notes to Special-Purpose Financial Statements**

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Capital Assets

It is the Hospital's policy to capitalize property and equipment over \$5,000. Lesser amounts are expensed. Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Hospital:

Buildings	20 to 50 years
Equipment and furniture	3 to 10 years

Upon sale or retirement of capital assets, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss, if any, is included in the statement of revenues, expenses and changes in net position.

Expenditures that materially increase values, change capacities, or extend useful lives of the respective assets are capitalized. Routine maintenance and repairs are charged to expense when incurred.

Cost of Borrowing

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Costs incurred in connection with the obtaining of financing are deferred and amortized over the period the obligation is outstanding using the interest method. Premiums or discounts incurred in connection with the issuance of bonds and indentures are amortized over the life of the obligations on the interest method, and the unamortized amount is included in the balance of the outstanding debt.

Impairment of Long-Lived Assets

The Hospital evaluates, on an ongoing basis, the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved. Based on management's evaluations, no long-lived assets impairments were recognized during the year ended September 30, 2018.

**Hospital Fund of Franklin County, Florida
d/b/a George E. Weems Memorial Hospital
Notes to Special-Purpose Financial Statements**

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Compensated Absences

Hospital policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date. The Hospital's estimated accrual for accumulated vacation and sick related leave is recorded as a current liability on the accompanying balances sheets.

Net Position

Net position of the Hospital is classified in three components, as follows:

Net investment in capital assets – consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.

Restricted net position – made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Hospital, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. There were no items meeting this criteria at September 30, 2018.

Unrestricted net position – the remaining net position that does not meet the definitions of net investment in capital assets or restricted net position described above.

It is generally the practice of the Hospital to utilize restricted net position before unrestricted net position when possible.

Operating Revenues and Expenses

The Hospital's statements of revenues, expenses and changes in net position distinguish between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Hospital's principal activity. Non-exchange revenues, including investment income, grants and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

**Hospital Fund of Franklin County, Florida
d/b/a George E. Weems Memorial Hospital
Notes to Special-Purpose Financial Statements**

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Net Patient Service Revenues

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined or as years are no longer subject to such audits, reviews, and investigations.

The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potentially significant wrongdoing. However, compliance with such laws and regulations is subject to future government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid program, and in recent years there has been an increase in regulatory initiatives at the state and federal levels including the Recovery Audit Contractor ("RAC") and Medicaid Integrity Contractor ("MIC") programs, among others. These programs were created to review Medicare and Medicaid claims for medical necessity and coding appropriateness. The RAC's have authority to pursue 'improper' (in their judgment) payments with a three year look back from the date the claim was paid.

Charity Care

The Hospital provides care without charge, or at a reduced charge, to patients who meet certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify pursuant to this policy, these charges are not reported as revenue. The amount of charges foregone for services and supplies furnished under the Hospital's charity care policy was approximately \$683,000 for the year ended September 2018, and estimated costs and expenses incurred to provide charity care totaled approximately \$419,000. The estimated costs and expenses incurred to provide charity care were determined by applying the Hospital's cost to charge ratio from its latest filed Medicare cost report to its charges foregone for charity care, at established rates.

Grants and Contributions

The Hospital receives grants from other governmental entities as well as contributions from Franklin County, Florida, individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted either for specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisition are reported after nonoperating revenue and expenses.

**Hospital Fund of Franklin County, Florida
d/b/a George E. Weems Memorial Hospital
Notes to Special-Purpose Financial Statements**

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the year ended September 30, 2018 was \$19,725.

Electronic Health Records Incentive Program

The Electronic Health Records (EHR) Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified EHR technology. Critical access hospitals (CAHs) are eligible to receive incentive payments in the cost reporting period beginning in the federal fiscal year in which meaningful use criteria have been met. The Medicare incentive payment is for qualifying costs of the purchase of certified EHR technology multiplied by the Hospital's Medicare share fraction, which includes a 20% incentive. This payment is an acceleration of amounts that would have been received in future periods based on reimbursable costs incurred, including depreciation. If meaningful use criteria are not met in future periods, the Hospital is subject to penalties that would reduce future payments for services. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services (CMS). The final amount for any payment year under both programs is determined based upon an audit by the Medicare Administrative Contractor.

The Hospital received and recognized EHR incentive payments prior to fiscal 2017. No such incentive payments were received or recognized in fiscal 2018, and management believes it is unlikely that any additional significant meaningful use incentives will be received in the future, as the terms of the program are coming to a close. However, prior incentive payments remain subject to future audits and recoupments.

Income Taxes

As a fund of Franklin County, Florida, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

New Accounting Standards

During the year ended September 30, 2018, the Hospital adopted four new statements of financial accounting standards issued by GASB, as follows:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75)
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB 81)
- GASB Statement No. 85, *Omnibus 2017* (GASB 85)
- GASB Statement No. 86, *Certain Debt Extinguishment Issues* (GASB 86)

**Hospital Fund of Franklin County, Florida
d/b/a George E. Weems Memorial Hospital
Notes to Special-Purpose Financial Statements**

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

New Accounting Standards (Continued)

GASB 75 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for OPEB that is provided to employees of state and local governmental employers through OPEB Plans that are administered through trusts or equivalent arrangements meeting certain criteria. GASB 75 also establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. GASB 75 replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurement by Agent Employers and Agent Employers and Agent Multiple-Employer Plans*. For defined benefit OPEB plans, GASB 75 identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to period of employee service. Note disclosure and required supplementary information are addressed. The adoption of GASB 75 had no impact on the Hospital's financial statements.

GASB 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources as the inception of the agreement. GASB 81 also provides expanded guidance for circumstances in which the government holds the assets. There was no material impact on the Hospital's financial statements as a result of the implementation of GASB 81.

GASB 85 addresses practice issues that were identified during the implementation and application of certain GASB Statements. GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits [OPEB]). The adoption of GASB 85 had no impact on the Hospital's current accounting practices or its financial reporting.

GASB 86 establishes standards of accounting and financial reporting requirements, for in-substance defeasance of debt transactions in which cash and other monetary assets acquired with only existing resources – that is, resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of future repayment of outstanding debt. There was no material impact on the Hospital's financial statements as a result of the implementation of GASB 86.

Pronouncements Issued But Not Yet Effective

GASB has issued the following pronouncements that may affect future financial position, results of operations, cash flows, or financial presentation of the Hospital upon implementation. Management has not yet evaluated the effect of implementation of these standards.

**Hospital Fund of Franklin County, Florida
d/b/a George E. Weems Memorial Hospital
Notes to Special-Purpose Financial Statements**

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Pronouncements Issued But Not Yet Effective (Continued)

GASB Statement No.	GASB Accounting Standard	Effective Fiscal Year
83	<i>Certain Asset Retirement Obligations</i>	2019
84	<i>Fiduciary Activities</i>	2020
87	<i>Leases</i>	2021
88	<i>Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements</i>	2019
89	<i>Accounting for Interest Cost Incurred before the End of a Construction Period</i>	2021
90	<i>Majority Equity Interest an amendment of GASB Statements No. 14 and No. 61</i>	2020

Current Healthcare Environment

The Hospital monitors economic conditions closely, both with respect to potential impacts on the healthcare industry and from a more general business perspective. Management recognizes that economic conditions may continue to impact the Hospital in a number of ways, including, but not limited to, uncertainties associated with the United States and state political landscape and rising uninsured patient volumes and corresponding increases in uncompensated care.

Additionally, the general healthcare industry environment is increasingly uncertain, especially with respect to the ongoing impacts of the federal healthcare reform legislation. Potential impacts of ongoing healthcare industry transformation include, but are not limited to:

- Significant capital investment in healthcare information technology
- Continuing volatility in state and federal government reimbursement programs
- Effective management of multiple major regulatory mandates, including the previously mentioned audit activity
- Significant potential business model changes throughout the healthcare system, including within the healthcare commercial payer industry

**Hospital Fund of Franklin County, Florida
d/b/a George E. Weems Memorial Hospital
Notes to Special-Purpose Financial Statements**

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Current Healthcare Environment (Continued)

The business of healthcare in the current economic, legislative, and regulatory environment is volatile. Any of the above factors, along with others both currently in existence and which may or may not arise in the future, could have a material adverse impact on the Hospital's financial position and operating results.

Subsequent Events

The Hospital has evaluated subsequent events through March 29, 2019, the date these financial statements were 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 Hospital incurred structural 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 Hospital for the upcoming fiscal years, and any such impacts could be significant.

NOTE 2 – NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payers follows:

Medicare – Inpatient and substantially all outpatient services related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for certain services at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare Administrative Contractor.

The Hospital's Medicare cost reports have been audited and final settlements determined by the Medicare intermediary for all years through September 30, 2015. Retroactive adjustments for cost reports and other settlements are accrued on an estimated basis in the period when the related services are rendered and adjusted in future periods when final settlements are determined.

During 2018, net patient service revenue increased by approximately \$85,000 due to changes in estimates related to prior Medicare cost reporting periods and removals of allowances previously estimated that are no longer considered necessary as a result of final settlements and years that are no longer subject to audits, reviews and investigations.

**Hospital Fund of Franklin County, Florida
d/b/a George E. Weems Memorial Hospital
Notes to Special-Purpose Financial Statements**

NOTE 2 – NET PATIENT SERVICE REVENUE (Continued)

Medicaid – Outpatient services (except for laboratory and pathology services) rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology subject to regulatory reductions. Reimbursable cost is determined in accordance with the principles of reimbursement established by the Florida Title XIX Hospital Reimbursement Plan, supplemented by the Medicare Principles of Reimbursement. Interim rates are tentatively established on an individual per diem basis for each hospital based on unaudited cost reports with exceptions.

Effective with admissions on or after July 1, 2013, Medicaid changed the reimbursement for inpatient stays to an APR-DRG-based methodology. Effective July 1, 2017, Medicaid changed the reimbursement for inpatient services to an EAPG-based methodology.

Final settlement is determined when the prospectively determined rate is adjusted after the intermediary audit of the Medicaid cost report that was used to determine the prospective rate. Retroactive adjustments for interim rate changes anticipated after the intermediary audit of the cost report are accrued on an estimated basis in the period when final settlements are determined. The Hospital's outpatient Medicaid rates are based on the Medicaid cost report periods ended through September 30, 2017, which have been audited by the fiscal intermediary through September 30, 2014.

Effective May 1, 2014, the Florida Medicaid program implemented a new system through which Medicaid enrollees receive services. The program is called the Statewide Medicaid Managed Care Medical Assistance Program. The new program is comprised of several types of managed care plans including Health Maintenance Organizations, Provider Service Networks, and a Children's Services Network. The new program is designed to emphasize patient centered care, personal responsibility and active patient participation, provide for fully integrated care through alternative delivery models with access to providers and services through a uniform statewide program, and implement innovations in reimbursement methodologies, plan quality and plan accountability. Most Medicaid recipients must enroll in the program. Providers and the managed care plans negotiate mutually agreed-upon rates and terms of payment for the provision of services as part of the contract between the provider and the managed care plan. Unless stated in the law, managed care plans do not have to pay in the same way that providers are paid under the fee-for-service Medicaid program.

During fiscal year 2018, net patient revenues decreased by approximately \$82,000 as a result of Medicaid retroactive rate adjustments from audits of prior fiscal years and reprocessing of claims based on the audit results.

Other – The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

**Hospital Fund of Franklin County, Florida
d/b/a George E. Weems Memorial Hospital
Notes to Special-Purpose Financial Statements**

NOTE 2 – NET PATIENT SERVICE REVENUE (Continued)

A summary of gross revenue from patient services provided under contracts with third-party payers follows:

<i>For the year ended September 30,</i>	2018
Medicare	40%
Medicaid	12%
Blue Cross	11%
Commercial/HMO/PPO	20%

The composition of net patient service revenue was as follows:

<i>For the year ended September 30,</i>	2018
Gross patient service revenue	\$ 12,206,511
Less provision for contractual adjustments under third-party reimbursement programs and other adjustments	(4,194,815)
Bad debts	(1,619,158)
Net patient service revenue	\$ 6,392,538

NOTE 3 – MEDICAID SUBSIDIES AND ASSESSMENTS

The Agency for Health Care Administration (“AHCA”) is the entity designated by the State of Florida to administer its Medicaid program. AHCA and the State of Florida have established various programs that provide additional payments from the state to qualifying Florida hospitals that service a disproportionate share of Medicaid, underinsured, uninsured and low-income patients. Notably, these programs include Medicaid disproportionate share (“DSH”) and the low income pool (“LIP”). The Hospital generally qualifies as a DSH and LIP provider and receives payments based on formulas established by AHCA. The possibility exists that the formulas may continue to change, pending federal and/or state legislation. The net amount of DSH and LIP payments recognized in net patient service revenue was approximately \$1,494,000 for fiscal year 2018. DSH and LIP payments receivable of \$279,293 are included in other receivables on the accompanying statement of net position.

These program payments, in connection with other payments received from the State of Florida for providing health services to Medicaid, uninsured and underinsured people of the State of Florida, are subject to audit, and payments received in excess of costs may be required to be refunded to the State of Florida. It is reasonably possible that these estimates could further materially change in the near term.

**Hospital Fund of Franklin County, Florida
d/b/a George E. Weems Memorial Hospital
Notes to Special-Purpose Financial Statements**

NOTE 3 – MEDICAID SUBSIDIES AND ASSESSMENTS (Continued)

Section 395.701 of the Florida Statutes imposes an annual assessment on all hospitals operating in the State of Florida. The assessment is currently calculated as 1.5% of annual net operating revenues for inpatient services; 1% of annual net operating revenues for outpatient services; and .4% of annual gross operating expenses (per AHCA's definition).

The assessments are due on a quarterly basis to AHCA and are used, among other purposes, to obtain federal financial participation for medical assistance payments to providers on behalf of Medicaid recipients, which serve to increase payments to Medicaid provider hospitals throughout the state. Approximately \$67,000 of expenses related to these assessments are included in operating expenses on the accompanying statement of revenues, expenses and changes in net position for fiscal year 2018. Estimated assessments payable totaling \$106,000 at September 30, 2018 are included in estimated third-party payer settlements on the accompanying balances sheet.

NOTE 4 – PATIENT ACCOUNTS RECEIVABLE

The Hospital is located in Apalachicola, Florida. The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at September 30, 2018 was:

<i>September 30,</i>	2018
Medicare	\$ 903,986
Medicaid	322,824
Other third-party payers	1,135,529
Patients	914,384
<hr/>	
Total patient accounts receivable	3,276,723
Less allowance for contractual and other adjustments	(1,374,558)
Less allowance for uncollectible accounts	(1,177,975)
<hr/>	
Patient accounts receivable, net	\$ 724,190

**Hospital Fund of Franklin County, Florida
d/b/a George E. Weems Memorial Hospital
Notes to Special-Purpose Financial Statements**

NOTE 5 – CASH AND INVESTMENTS

Cash

As of September 30, 2018, cash and cash equivalents consisted of the following:

<u>September 30,</u>	<u>2018</u>
Petty cash and undeposited cash	\$ 900
Cash deposits with financial institutions	755,901
<u>Total deposits</u>	<u>\$ 756,801</u>

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state law.

The State of Florida's Public Deposit Act requires that public deposits may only be made at qualified public depositories. The Act requires each qualified public depository to deposit with the State Treasurer eligible collateral equal to or in excess of the required collateral as determined by the provisions of the Act. In the event of a failure by a qualified public depository, losses in excess of FDIC limits and proceeds from the sale of securities pledged by the defaulting depository are assessed against 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 Hospital had no bank balances exposed to custodial credit risk at September 30, 2018. The Hospital's deposits at September 30, 2018 were covered under the FDIC and State of Florida's Public Deposit Act.

Investments

The Hospital is authorized by statute to invest public funds in the Local Government Surplus Funds Trust Fund; direct obligations of the United States government, its agencies and instrumentalities; Securities and Exchange Commission registered money market funds with the highest quality rating from a nationally recognized rating agency; interest-bearing time deposits or savings accounts in qualified public depositories; commercial paper; and certain registered open-end or closed-end management investment companies.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from changing interest rates.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investment or collateral securities that are in possession of an outside party.

The Hospital held no investments at September 30, 2018.

**Hospital Fund of Franklin County, Florida
d/b/a George E. Weems Memorial Hospital
Notes to Special-Purpose Financial Statements**

NOTE 6 – CAPITAL ASSETS

Capital asset activity and balances for the year ended September 30, 2018 was as follows:

	Restated 10/1/2017	Additions	Reductions	Transfers	Balance 9/30/2018
Nondepreciable capital assets					
Land	\$ 13,400	\$ -	\$ -	\$ -	\$ 13,400
Construction in progress	1,025,270	-	-	-	1,025,270
Total nondepreciable	1,038,670	-	-	-	1,038,670
Depreciable capital assets					
Buildings	1,565,030	25,279	-	-	1,590,309
Equipment and furniture	1,910,196	211,667	(151,157)	-	1,970,706
Total depreciable, at cost	3,475,226	236,946	(151,157)	-	3,561,015
Less accumulated depreciation	(1,695,251)	(196,139)	123,605	-	(1,767,785)
Depreciable, net	1,779,975	40,807	(27,552)	-	1,793,230
Total capital assets, net	\$ 2,818,645	\$ 40,807	\$ (27,552)	\$ -	\$ 2,831,900

Depreciation expense for the year ended September 30, 2018 totaled \$196,139. No interest was capitalized during the year ended September 30, 2018.

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.

NOTE 7 – EMPLOYEE LEASING

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. was the employer of all persons working at the Hospital during the year ended September 30, 2018, and was reimbursed by the Hospital for all wages and management fees associated with the lease. Employee leasing costs totaled \$4,221,514 for the year ended September 30, 2018.

**Hospital Fund of Franklin County, Florida
d/b/a George E. Weems Memorial Hospital
Notes to Special-Purpose Financial Statements**

NOTE 8 – INTERFUND RECEIVABLE, PAYABLES, AND TRANSFERS

Interfund balances at September 30, 2018, consisted of the following:

<u>September 30,</u>	<u>2018</u>
Due from Hospital Trust Fund	\$ 316,834
Due to Hospital Trust Fund	\$ 690,000
Due to General Fund	1,215
	\$ 691,215

Interfund transfers for the year ended September 30, 2018 consisted of the following:

<u>Transferred from</u>	<u>Purpose</u>	<u>Amount</u>
Transfers in:		
Hospital Trust Fund	Transfer of ½ cent sales tax	\$ 1,069,698
Hospital Trust Fund	Purchase of equipment	189,723
General Fund	Operation of hospital	2,483
General Fund	Operation of clinic	120,000
General Fund	Operation of ambulance services	764,252
		\$ 2,146,156

NOTE 9 – MEDICAL MALPRACTICE INSURANCE

The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

In addition, other claims may be asserted arising from services provided to patients in the past. In the opinion of management, adequate provision has been made for losses which may occur from such asserted and unasserted claims that are not covered by liability insurance, if any. It is reasonably possible that this estimate could change materially in the near term.

**Hospital Fund of Franklin County, Florida
d/b/a George E. Weems Memorial Hospital
Notes to Special-Purpose Financial Statements**

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Litigation

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Healthcare Reform

In March of 2010, the Patient Protection and Affordable Care Act (“PPACA”) was signed into law. This Act represents a comprehensive reform of the United States healthcare system and institutes, among other things, many provisions that change payments from Medicare, Medicaid and other insurance companies. The legislation required the establishment of health insurance exchanges which provide individuals without employer-provided healthcare coverage the opportunity to purchase insurance. Reimbursement rates paid by insurers participating in the insurance exchanges are often substantially different than rates paid under previously existing health insurance products.

Another significant component of the PPACA is the extension of the Medicaid program to a wide range of newly eligible individuals. In anticipation of this expansion, payments under certain existing programs are being substantially decreased. Each state’s participation in an expanded Medicaid program is optional, and the State of Florida has currently opted not to expand its Medicaid program.

The PPACA is extremely lengthy and complex and has been difficult for the federal government and each state to implement. While the overall, continuing impact of the PPACA cannot currently be estimated, it is likely that it will have a negative impact on the Hospital’s net patient service revenue for years to come.



Carr, Riggs & Ingram, LLC
1117 Boll Weevil Circle
Enterprise, AL 36330

Mailing Address:
P.O. Box 311070
Enterprise, AL 36331

(334) 347-0088
(334) 347-7650 (fax)
www.cricpa.com

**INDEPENDENT ACCOUNTANTS' REPORT ON AN EXAMINATION
CONDUCTED IN ACCORDANCE WITH AICPA PROFESSIONAL STANDARDS,
AT-C SECTION 315, REGARDING COMPLIANCE REQUIREMENTS IN
ACCORDANCE WITH CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

Board of Directors
George E. Weems Memorial Hospital
Franklin County, Florida
Apalachicola, Florida

We have examined the Hospital Fund of Franklin County, Florida d/b/a George E. Weems Memorial Hospital (the "Hospital") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2018. Management of the Hospital is responsible for the Hospital's compliance with the specified requirements. Our responsibility is to express an opinion on the Hospital's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Hospital complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Hospital complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Hospital's compliance with specified requirements.

In our opinion, the Hospital complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2018.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

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

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

March 29, 2019



Carr, Riggs & Ingram, LLC
1117 Boll Weevil Circle
Enterprise, AL 36330

Mailing Address:
P.O. Box 311070
Enterprise, AL 36331

(334) 347-0088
(334) 347-7650 (fax)
www.cricpa.com

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

Board of Directors
George E. Weems Memorial Hospital
Franklin County, Florida
Apalachicola, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Hospital Fund of Franklin County, Florida d/b/a George E. Weems Memorial Hospital (the "Hospital") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents, and have issued our report thereon dated March 29, 2019.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in findings 2018-001 to 2018-003 in the accompanying schedule of findings and responses to be material weaknesses.

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.

Compliance and Other Matters

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

Hospital's Responses to Findings

The Hospital's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Hospital's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

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

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

March 29, 2019

**Hospital Fund of Franklin County, Florida
d/b/a George E. Weems Memorial Hospital
Schedule of Findings and Responses
For the Year Ended September 30, 2018**

2018 – 001 Accrual Basis Accounting

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting and presenting financial statements in accordance with generally accepted accounting principles.

Condition: Multiple accounts and financial statement line items required adjustment or reclassification in order for the financial statements to be presented in accordance with generally accepted accounting principles. Such adjustments included proper presentation of accounts receivable and related reserves, prepaid expenses, other assets, accounts payable, other liabilities, estimated third-party payer settlements, property, plant and equipment, and related party accounts, among others. Further, various accounts were not reconciled (or not reconciled timely) to the subsidiary ledgers at fiscal year-end, resulting in some of these adjustments.

Cause: Most of these issues were likely due to the resignation and departure of the Chief Financial Officer and the devastating impacts of Hurricane Michael, which made landfall on the Panhandle during the Hospital's fiscal year-end closing process. However, notwithstanding items that were outside of the Hospital's control, internal processes and controls were not sufficient (either non-existent or ineffective) to detect material misstatements of the financial statements.

Effect: Material misstatement of the financial statements (before auditor adjustments). Additionally, the September 30, 2017 net position was materially restated due to some of these issues being determined by the auditor to have existed at that date, as well.

Recommendation: Management should focus on strengthening internal controls surrounding financial reporting and the proper presentation of financial statements in accordance with GAAP.

Views of Responsible Officials and Planned Corrective Actions: A Chief Financial Officer with over eight years of experience as a rural hospital CFO was employed 2/04/2019 and charged with the responsibility of reconciling balance sheet accounts to detailed reports and outside sources, improving internal control procedures, and improving the integrity of monthly financial statements. We are also educating the Hospital Board of Directors and especially Finance Committee members on hospital financial management and how operations are reported on a monthly basis. This knowledge encourages questions and allows them to provide better oversight.

2018 – 002 Inventory

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting and presenting financial statements in accordance with generally accepted accounting principles. Additionally, management is responsible for ensuring that inventory and supplies are properly controlled, counted, monitored and safeguarded on an ongoing basis.

**Hospital Fund of Franklin County, Florida
d/b/a George E. Weems Memorial Hospital
Schedule of Findings and Responses
For the Year Ended September 30, 2018**

Condition: Certain records of significant areas of inventory were not retained and/or physical inventory counts were not conducted at fiscal year-end.

Cause: It appears that physical inventory counts were not conducted routinely during fiscal year 2018, including at fiscal year-end, and/or adequate documentation of the results of these counts were not retained, including by third party vendors charged with custody of pharmaceutical inventory.

Effect: Additional audit work and adjustments were required to properly state the accounts.

Views of Responsible Officials and Planned Corrective Actions: The hospital has historically expensed all supplies and pharmaceuticals upon receipt. Effective with the fiscal year ending 9/30/2018, general medical supplies were placed into inventory and expensed when they were distributed to departments or charged to patients. Regarding pharmaceuticals, internal controls were in place and pharmaceuticals were counted periodically in accordance with internal policies and all state and federal guidelines. Effective with the fiscal year ending 9/30/2019, all pharmaceuticals will be inventoried upon receipt and expensed when they are charged to patients.

2018 – 003 Accounting & Finance Staffing

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting and presenting financial statements in accordance with generally accepted accounting principles. Such responsibility includes hiring and retaining effective and experienced staff to conduct such activities.

Condition: The Hospital experienced near complete turnover of senior level finance and accounting personnel in fiscal year 2018 or early fiscal year 2019, as well as turnover of executive management.

Cause: A portion of these issues were likely due to the devastating impacts of Hurricane Michael, which made landfall on the Panhandle during the Hospital's fiscal year-end closing process. However, notwithstanding items that were outside of the Hospital's control, the Hospital should quickly invest in the hiring of new, qualified accounting staff and focus on retention of existing staff to ensure that existing control activities can be properly conducted and new policies and controls, necessary to address the findings noted herein, can be established and followed.

Effect: The effect of this finding is reflected in the effects of findings 2018-001 and 2018-002, above.

Recommendation: Management should quickly invest in the hiring of new, qualified accounting staff and focus on retention of existing staff to ensure that existing control activities can be properly conducted and new policies and controls, necessary to address the findings noted herein, can be established and followed.

**Hospital Fund of Franklin County, Florida
d/b/a George E. Weems Memorial Hospital
Schedule of Findings and Responses
For the Year Ended September 30, 2018**

Views of Responsible Officials and Planned Corrective Actions: Per the response on 2018 – 001 above, an experienced CFO has been employed, has purchased a permanent home in Franklin County, and should provide the stability we need. We are in the process of hiring an Accounts Payable Clerk, which is the only open position in accounting. A stable, experienced CFO plus improved internal control procedures should minimize the impact of staff turnover at the clerical level.



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Enterprise, AL 36330

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(334) 347-7650 (fax)
www.cricpa.com

MANAGEMENT LETTER

Board of Directors
George E. Weems Memorial Hospital
Franklin County, Florida
Apalachicola, Florida

Report on the Financial Statements

We have audited the financial statements of the Hospital Fund of Franklin County, Florida d/b/a George E. Weems Memorial Hospital (the "Hospital") as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated March 29, 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 of America; and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 29, 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. There were no such findings and recommendations in the preceding annual financial audit report.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires us to apply appropriate procedures and communicate the results of our determination as to whether or not the Hospital has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Hospital 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 for the Hospital. It is management's responsibility to monitor the Hospital's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we included recommendations in the accompanying schedule of findings and responses.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the Hospital 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 us to communicate 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 warrants the attention of those charged with governance. In connection with our audit, we did not note 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, Federal and other granting agencies, the Board of Directors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

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

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

March 29, 2019