

Franklin County, Florida

Annual Financial Report
September 30, 2019

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**FRANKLIN COUNTY, FLORIDA
SEPTEMBER 30, 2019**

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**FRANKLIN COUNTY, FLORIDA
SEPTEMBER 30, 2019**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Franklin County, Florida, (the "County"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Franklin County, Florida, as of September 30, 2019, and the respective changes in

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

Other Matters

Required Supplementary Information

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

Other Information

The accompanying schedule of expenditures of federal awards, and state financial assistance as required by 2 CFR Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, and Chapter 10.550 Rule of the Auditor General of the State of Florida, and the combining nonmajor fund financial statements are presented for purposes of additional analysis and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2020, on our consideration of the Franklin County, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Franklin County, Florida's internal control over financial reporting and compliance.

Vance CPA LLC

Vance CPA LLC
June 26, 2020

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

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

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

Financial Highlights

- The County's total net position increased \$3,325,952 or 3.66% from September 30, 2018, to September 30, 2019
- During the year ended September 30, 2019, the financial statements show that the County's general fund expenditures exceeded revenues by \$105,238. Total expenditures in the general fund were less than budgeted amounts.
- The County's capital assets, net of accumulated depreciation, increased \$2,918,557 which represents an increase of 3% for the year.

Nonfinancial Events

- On October 10, 2018 (just ten days into the fiscal year) Hurricane Michael made landfall as a category 5 hurricane just 30 miles from the Franklin County line on the West side of Mexico Beach and east end of Tyndall Air Force Base. Hurricane Michael was the strongest storm to strike the mainland of the United States since Hurricane Andrew in 1992. Franklin County was fortunate the storm was not a direct hit but the county did sustain major damage. Weems Memorial Hospital was the most damaged county building by the storm. The entire roof had to be replaced by the county's insurance plan. The total cost of stabilization, roof replacement and temporary housing for the hospital staff and services cost over \$2,000,000. The county's insurer the Florida League of Cities in cooperation with disaster recovery program manager Synergy NDS paid for and managed the repairs. The only expense for the total roof replacement that was paid by Franklin County was for the 5% windstorm deductible which was \$150,000. The Franklin County Courthouse also sustained water damage from wind driven rain when a roof vent was blown off the top of the courthouse and windblown rain through cracks in the historic building. There was about \$150,000 in stabilization expenses that were covered by insurance whereas large fans, mold remediation and dehumidifiers ran almost nonstop for two months to dry out the three-story building. In August of 2018, Franklin County opened Island View Park in between Carrabelle and Lanark Village. This park featured an observation pier, two day-use picnic pavilions, native landscaping, concrete sidewalks and curbing, and a large paved brick parking area. Just over two months after opening the park, the park was entirely destroyed by Hurricane Michael. There is an open FEMA mitigation project request for the park location whereas the park will be reconstructed and designed with the prevention of future damage in mind. Hurricane Michael also caused the destruction of 2,000 feet of roadway on Alligator Point. This vulnerable area had not yet recovered from damages caused to the road by prior storm events and Hurricane Michael severed access for homeowners to the West. Franklin County has been going through a lengthy permitting and approval process with FEMA to fund the reconstruction of the road and to drive sheet pilings to serve as protection against future storms. Homeowners have been using a temporary single-lane gravel road to access properties until a permanent repair can be made.
- The Florida Boating Improvement Program provided grant funds for the design improvements at Old Ferry Dock Boat Ramp in Eastpoint. This redesign will widen the ramp to the full width of the basin, put in a new seawall, redesign the entrance to the ramp and divert stormwater. This is Phase I of the project and construction will begin when funding for Phase II becomes available.

- There are several large ongoing improvement projects at the County Airport in Apalachicola. These projects are 100% funded by state and federal grants. The ongoing projects include designing and constructing a North/South Taxiway and upgrading the storm water sewers. The runways at the airport were also remarked in early 2019 at a cost of over \$500,000 with funding provided by two separate grants from the Florida Department of Transportation.
- The Federally Funded LAP Bayshore Drive Sidewalk Project is now complete. The sidewalk extends from the intersection of South Bayshore and Island Drive to North Bayshore and Hickory Dip in Eastpoint. The total cost of this improvement was \$455,557.
- The Florida Department of Transportation has provided \$383,322 in grant funds through the Small County Outreach Program (SCOP) for County Road 67. This grant provides the funds to survey, design, and permit plans to widen lanes with 5' shoulders, resurface, and extend culverts. The improvements will begin at State Road 30 and extend 6.044 miles to the Cricket Creek Bridge.
- The Florida Department of Transportation has provided \$111,762 in grant funds through the Small County Road Assistance Program (SCRAP) for C30A. This grant provides the funds to survey, design, and permit construction plans for roadway resurfacing along CR30A from the Franklin County line, Mile Post 0, to Thirteen Mile Road, Mile Post 1.553.
- In January of 2008, Franklin County began levying the 1% Discretionary Sales Surtax for health care on all taxable purchases. The proceeds of the 1% Discretionary Sales Surtax is split between capital outlay and operating expenses for the local Weems Memorial Hospital. At September 30, 2019, the balance available in the Health Care Trust Fund for capital improvements is \$4,341,040.51.
- On Sunday, June 24th, 2018 there was a terrible disaster in Franklin County. Fueled by high winds, a controlled burn got out of control and rapidly swept through nearly 1,000 acres of property in Eastpoint. The wildfire consumed approximately 38 homes, displaced 132 people and the fire moved so quickly that many escaped the blaze with only the clothes on their back. The overwhelming response to this disaster has been remarkable, although the damage and loss will be felt by the community for years to come. The county purchased 24 travel trailers at a cost of \$237,240 which were transferred to the Capital Area Community Action Agency to be used as emergency housing for the displaced residents. Other non-profit organizations within the county also provided temporary and permanent housing assistance. The county has received a \$2,630,588 Community Development Block Grant (CDBG) from the US Department of Housing and Urban Development to provide permanent housing for up to 38 families. By September of 2019, five families have received permanent housing provided by this program and many more families are in line for assistance.
- The 2018 gross taxable value of property in Franklin County saw a steady increase of 3.54% over the prior year. This was the fifth year of increasing taxable value since 2006. The County's 2018 gross taxable value as certified by the Franklin County Property Appraiser increased by approximately 65 million dollars from the 2017 certified value. The millage rate decreased slightly to 6.2679 mills in fiscal year 2018/2019 with budgeted property tax proceeds of \$11,847,537. The budgeted proceeds were \$334,052 more than the budgeted proceeds in fiscal year 2017/2018. The total budgeted positions in the 2018/2019 fiscal year were 174, down from a high in 2006/2007 of 191 budgeted positions. The County gave an across the board cost-of-living adjustment of 3% effective October 1, 2018.

Overview of the Financial Statements

The basic financial statements consist of three components:

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

In addition, this report presents certain required supplementary information.

Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the County's overall financial condition in a manner similar to those of a private-sector business. This statement combines and consolidates governmental fund's current financial resources (short-term expendable resources) with capital assets and long-term obligations. The statements include a *statement of net assets* and a *statement of activities* that are designed to provide consolidated financial information about the governmental activities of the County presented on the accrual basis of accounting.

- The *statement of net assets* provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the County.
- The *statement of activities* presents information showing how the County's net assets changed during the 2019 fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes earned, and earned but unused vacation leave). This statement is intended to summarize and simplify the user's analysis of cost of various governmental services. An increase or decrease in net assets is an indication of whether the County's financial health is improving or deteriorating.

Both of these financial statements present the functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the County include general government, public safety, physical environment, transportation, economic environment, human services, culture and recreation, and court related activities.

Over a period of time, changes in the County's net assets are an indication of improving or deteriorating financial condition. This information should be evaluated in conjunction with other nonfinancial factors, such as changes in the County's property tax base and the condition of the County's capital assets including infrastructure assets.

Fund Financial Statements.

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others are created by legal agreements, such as bond covenants. Fund financial statements provide more detailed information about the County's financial activities, focusing on its most significant or "major" funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide statements.

All of the County's funds may be classified in the broad category of *Governmental Funds*, *Proprietary Funds* or *Fiduciary (Agency) Funds*.

- **Governmental Funds** - These funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. This financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year. Consequently, the governmental fund statements provide a detailed short-term view that may be used to evaluate the County's near-term financing requirements. This short-term view is useful when compared to the long-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

- Proprietary Funds - The County maintains one type of proprietary fund which is the hospital fund. This fund is used to report business-type activities in the government-wide financial statements. The County uses the hospital fund to account for the fiscal activities relating to the hospital and emergency medical services provided in Franklin County. Proprietary funds provide the same type of information found in the government-wide financial statements, but in greater detail.
- Fiduciary (Agency) Funds – Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide statements because the resources are not available to support the County’s own programs. In its fiduciary capacity, the County is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

Infrastructure Assets

Generally, a government’s largest group of assets (infrastructure – roads, bridges, traffic signals, underground pipes) are not reported nor depreciated in governmental fund financial statements. This statement requires that these assets be valued and reported within the Governmental column of the Government-wide statements. Additionally, the government must elect to either (a) depreciate these assets over their estimated useful life or (b) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. If the government develops the asset management system (the modified approach) which periodically (at least every third year), by category measures and demonstrates its maintenance of locally established levels of service standards, the government may record its cost of maintenance in lieu of depreciation. The County elected to depreciate its infrastructure assets.

Government-wide Financial Analysis

Statement of Net Assets

Net assets may serve over time as a useful indicator of a government’s financial position. In the case of the County, assets exceeded liabilities by \$94 million at September 30, 2019, and \$91 million at September 30, 2018.

Franklin County’s Net Position

<u>September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 27,104,943	\$ 24,760,271	\$ 1,845,916	\$ 1,465,994	\$ 28,950,859	\$ 26,226,265
Capital assets, net	<u>95,408,956</u>	<u>94,008,153</u>	<u>4,349,657</u>	<u>2,831,900</u>	<u>99,758,613</u>	<u>96,840,053</u>
Total assets	<u>122,513,899</u>	<u>118,768,424</u>	<u>6,195,573</u>	<u>4,297,894</u>	<u>128,709,472</u>	<u>123,066,318</u>
Deferred Outflows	<u>4,557,106</u>	<u>2,185,810</u>	<u>—</u>	<u>—</u>	<u>4,557,106</u>	<u>2,185,810</u>
Current and other liabilities	1,340,008	1,072,493	1,259,423	1,201,664	2,599,431	2,274,157
Long-term liabilities	<u>34,627,585</u>	<u>32,704,132</u>	<u>—</u>	<u>—</u>	<u>34,627,585</u>	<u>32,704,132</u>
Total liabilities	<u>35,967,593</u>	<u>33,776,625</u>	<u>1,259,423</u>	<u>1,201,664</u>	<u>37,227,016</u>	<u>34,978,289</u>
Deferred Inflows	<u>1,829,697</u>	<u>2,389,929</u>	<u>—</u>	<u>—</u>	<u>1,829,697</u>	<u>2,389,929</u>
Net position:						
Net investment in capital assets	93,873,744	92,797,835	4,145,705	2,831,900	98,019,449	95,629,735
Restricted	10,724,726	9,990,357	—	—	10,724,726	9,990,357
Unrestricted	<u>(15,324,755)</u>	<u>(15,000,512)</u>	<u>790,442</u>	<u>264,330</u>	<u>(14,534,313)</u>	<u>(14,736,182)</u>
Total net position	<u>\$ 89,273,715</u>	<u>\$ 87,787,680</u>	<u>\$ 4,936,147</u>	<u>\$ 3,096,230</u>	<u>\$ 94,209,862</u>	<u>\$90,883,910</u>

**Franklin County's Statement of Activities
For The Years Ended September 30, 2019 and 2018**

The following schedule summarizes revenues and expenses for the years ended September 30, 2019, and 2018:

Year ended Sept 30,	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Program Revenues						
Charges for services	\$ 3,720,519	\$ 1,640,055	\$ 7,692,626	\$ 6,401,489	\$ 11,413,145	\$ 8,041,544
Operating grants and contributions	3,219,576	2,522,121	10,656	1,372	3,230,232	2,523,493
Capital grants and contributions	1,086,594	3,473,781	—	—	1,086,594	3,473,781
General Revenues-						
Property taxes	11,691,817	11,294,014	—	—	11,691,817	11,294,014
Other taxes	7,792,967	7,253,488	—	—	7,792,967	7,253,488
Investment earnings	116,552	107,762	—	—	116,552	107,762
Other	845,714	733,505	—	—	845,714	733,505
Transfers	<u>(2,988,043)</u>	<u>(2,146,156)</u>	<u>2,988,043</u>	<u>2,146,156</u>	<u>—</u>	<u>—</u>
Total revenues	<u>25,485,696</u>	<u>24,878,570</u>	<u>10,691,325</u>	<u>8,549,017</u>	<u>36,177,021</u>	<u>33,427,587</u>
Expenses						
Program activities						
General government	5,848,577	4,404,106	—	—	5,848,577	4,404,106
Public safety	6,358,000	7,693,968	—	—	6,358,000	7,693,968
Physical environment	2,552,472	4,709,912	—	—	2,552,472	4,709,912
Transportation	2,824,860	3,769,625	—	—	2,824,860	3,769,625
Economic environment	2,462,304	415,421	—	—	2,462,304	415,421
Human services	795,434	819,707	—	—	795,434	819,707
Culture and recreation	1,266,598	1,066,373	—	—	1,266,598	1,066,373
Court related	1,891,416	1,688,737	—	—	1,891,416	1,688,737
Business-type activities	<u>—</u>	<u>—</u>	<u>8,851,408</u>	<u>8,007,742</u>	<u>8,851,408</u>	<u>8,007,742</u>
Total expenses	<u>23,999,661</u>	<u>24,567,849</u>	<u>8,851,408</u>	<u>8,007,742</u>	<u>32,851,069</u>	<u>32,575,591</u>
Increase (decrease)	<u>\$ 1,486,035</u>	<u>\$ 310,721</u>	<u>\$ 1,839,917</u>	<u>\$ 541,275</u>	<u>\$ 3,325,952</u>	<u>\$ 851,996</u>

Financial Analysis of Individual Funds

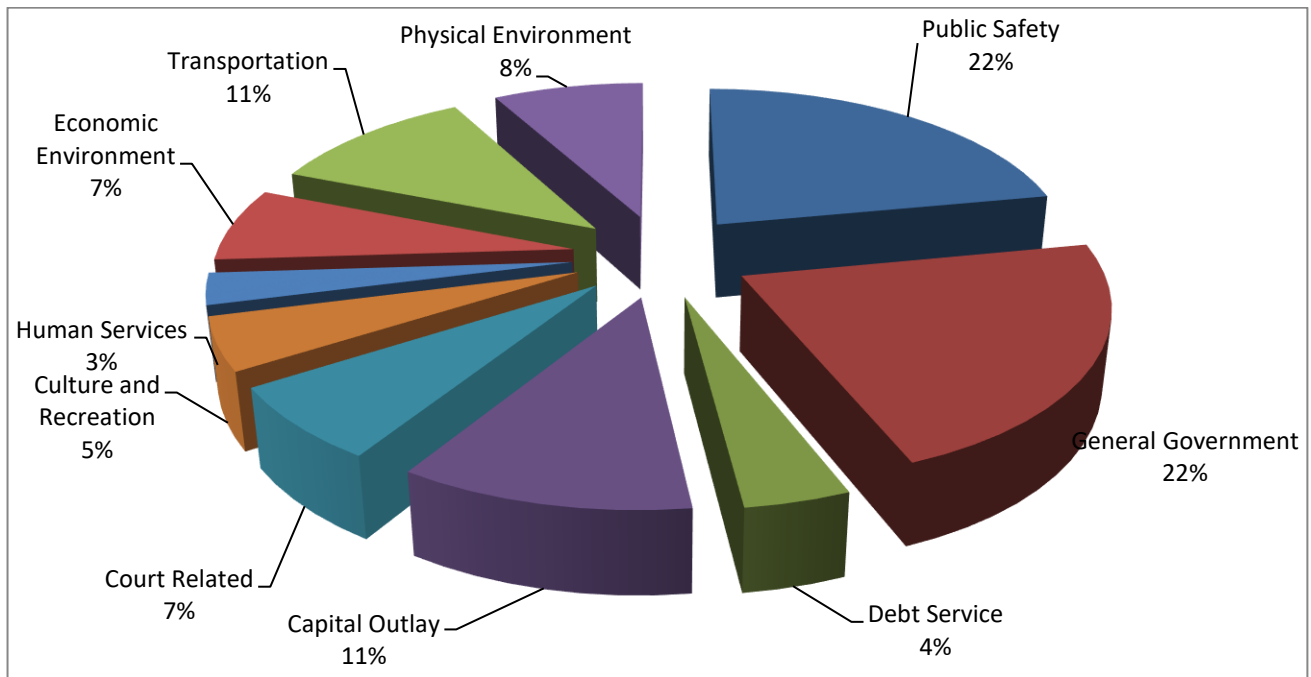
This section provides an analysis of the balances and transactions of individual funds. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

As of the end of fiscal year 2019, the county's governmental funds reported combined ending fund balances of \$25,280,914. Of this amount, *unassigned fund balance* is \$12,390,504.

Total Governmental Funds Expenditures by Functions



Major Funds

The general fund, hospital trust, and the landfill funds are reported as major funds.

- The general fund is the general operating fund of the County. All general tax revenues and other receipts that are not required either legally or by generally accepted accounting principles to be accounted for in other funds are accounted for in the general fund.
- General operating funds of the clerk of the Circuit Court, Property Appraiser, Sheriff, Tax Collector, and Supervisor of Elections represent sub funds of the County's general fund that are held and accounted for individually, but presented with the balance of the Board of County Commissioners' operating funds.
- The Hospital Trust accounts for the sales tax proceeds restricted for use at the County hospital.
- The Landfill Fund accounts for the landfill operations.

Budget Variances in the Major Funds

- Tax revenue of the general fund shows a negative budget variance of \$250,069. The County budget shows 100% of anticipated revenues with “less 5% of estimated revenues” being shown separately as a deduction. Additionally, taxpayers can take advantage of as much as 4% reduction in taxes by paying in the month of November.

Capital Assets and Long-Term Debt

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

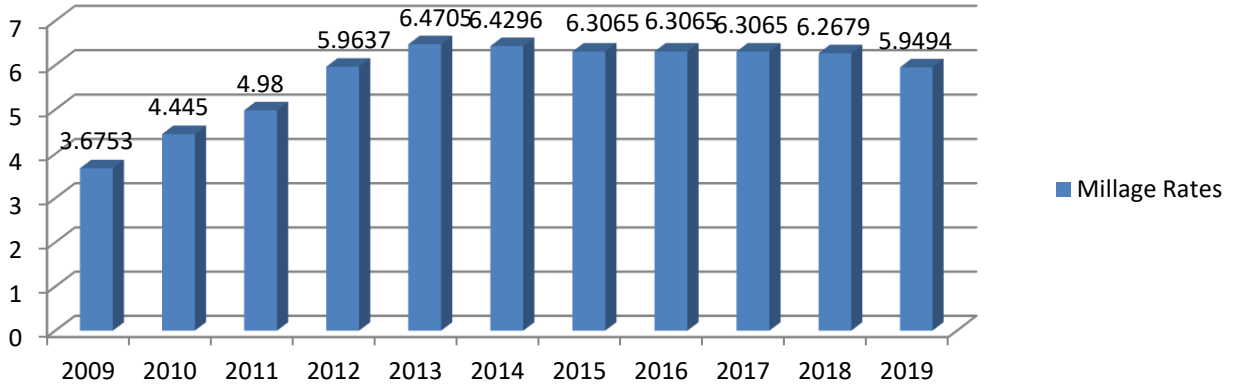
- In March of 2019, the County entered into the second rolling 13 month lease/purchase agreement for (2) 2019 Mack GR64F Dump Trucks \$308,000. The county owns the trucks for 13 months total for an annual lease payment of \$15,000 each. At the end of the 13 months, vendor Capital Truck accepts the two trucks back in trade-in and replaces the trucks with the next year’s model and a new lease is executed with the same terms. As the arrangement is 13 months, it is considered to be new long-term debt although it is a revolving lease/purchase program.
- The Tourist Development Council approved an additional payment to principal of \$100,000 towards the Olan Buddy Ward Seafood Landing Park and Maritime Museum property. This additional payment to principal reduced the outstanding balance at September 30, 2019 to \$258,859.
- The County paid off two outstanding debts in 2019 relative to the acquisition of a Caterpillar M313D Excavator for the Road Department and the expiration of the first rolling 13 month lease purchase agreement for (2) 2018 Mack GU813 Dump Trucks.
- Landfill Tipping Fee proceeds paid for a new 2019 Caterpillar Excavator for the Solid Waste Department. New debt was issued for a 2019 Caterpillar 120 Motorgrader for the Road Department.
- In October of 2018, Franklin County purchased eleven 30 foot lots in the commercial district of St. George Island. This property is located at 223 Franklin Boulevard. This purchase was part of a mediated settlement agreement whereas Franklin County paid \$600,000 for the parcel. The capital outlay fund paid \$100,000 down and the balance was financed by the owner at 4.5% fixed for a period of five years.

Significant Economic Factors

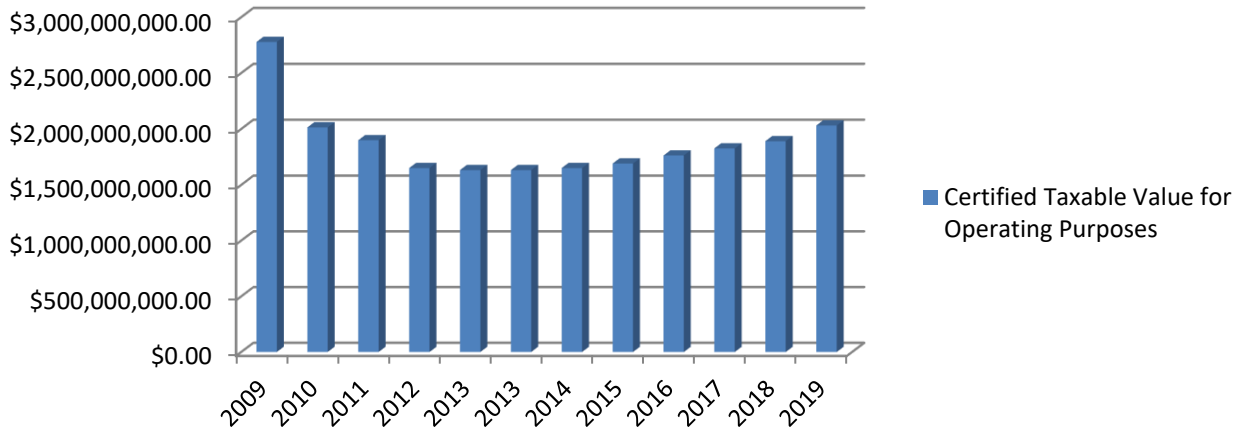
Taxable Value of Property and Millage Rates

The County received approximately \$11.527 million in property taxes based on the certified taxable value of property in Franklin County. This represents an increase from the prior year of \$412,015 and is a result of an increase in the taxable value of new construction in the County.

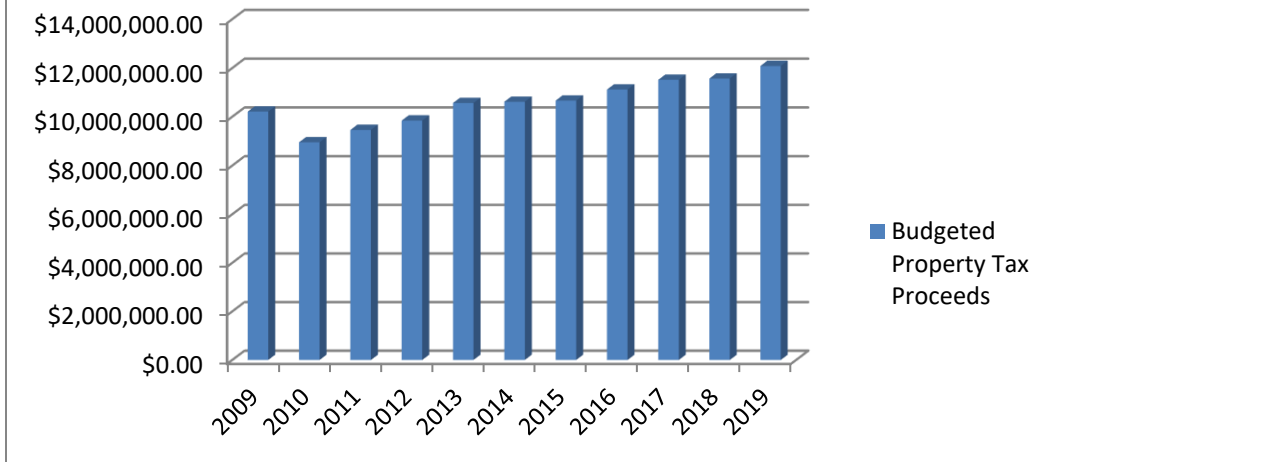
Millage Rates



Certified Taxable Value for Operating Purposes



Budgeted Property Tax Proceeds



Requests for Information

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

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

BASIC FINANCIAL STATEMENTS

**FRANKLIN COUNTY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 21,820,188	\$ 271,385	\$ 22,091,573
Equity in pooled cash	2,439,335	—	2,439,335
Patient accounts receivable, net of Uncollectibles of approximately \$2,264,000	—	747,888	747,888
Other accounts receivable	214,588	294,880	509,468
Notes receivable	687,749	—	687,749
Internal balances	(367,187)	367,187	—
Prepaid expenses	37,878	164,576	202,454
Due from other governments	2,272,392	—	2,272,392
Non-Depreciable Capital Assets	8,128,332	13,400	8,141,732
Depreciable Capital Assets, Net	87,280,624	4,336,254	91,616,878
Total Assets	<u>122,513,899</u>	<u>6,195,570</u>	<u>128,709,469</u>
DEFERRED OUTFLOWS			
Employee Pension Contributions	4,557,106	—	4,557,106
Total Deferred Outflows	<u>4,557,106</u>	<u>—</u>	<u>4,557,106</u>
LIABILITIES			
Accounts payable	618,535	908,377	1,526,912
Due to other governments	114,085	—	114,085
Other accrued liabilities	—	229,366	229,366
Long-term liabilities			
Customer deposits	7,000	—	7,000
Due within one year			
Accrued compensated absences	176,356	30,420	206,776
Notes and leases payable	424,032	—	424,032
Due in more than one year			
Accrued compensated absences	529,068	91,260	620,328
Notes and leases payable	1,111,180	—	1,111,180
Net OPEB obligation	15,926,021	—	15,926,021
Landfill closure liability	3,211,860	—	3,211,860
Net pension liability	13,849,456	—	13,849,456
Total Liabilities	<u>35,967,593</u>	<u>1,259,423</u>	<u>37,227,016</u>
DEFERRED INFLOWS			
Grant funds	465,142	—	465,142
Employee pension contributions	1,364,555	—	1,364,555
Total Deferred Inflows	<u>1,829,697</u>	<u>—</u>	<u>1,829,697</u>
NET POSITION			
Net investment in capital assets	93,873,744	4,145,705	98,019,449
Restricted	10,724,726	—	10,724,726
Unrestricted	<u>(15,324,755)</u>	<u>790,442</u>	<u>(14,534,313)</u>
Total Net Position	<u>\$ 89,273,715</u>	<u>\$ 4,936,147</u>	<u>\$ 94,209,862</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues/</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Primary Government							
Governmental activities							
General government	\$ 5,848,577	\$ 145,644	\$ 198,705	\$ —	\$(5,504,228)	\$ —	\$ (5,504,228)
Public safety	6,358,000	772,847	559,229	—	(5,025,924)	—	(5,025,924)
Physical environment	2,552,472	2,606,583	959,090	—	1,013,201	—	1,013,201
Transportation	2,824,860	80,458	375,958	1,086,594	(1,281,850)	—	(1,281,850)
Economic environment	2,462,304	—	542,145	—	(1,920,159)	—	(1,920,159)
Human services	795,434	310	61,936	—	(733,188)	—	(733,188)
Culture and recreation	1,266,598	24,242	97,451	—	(1,144,905)	—	(1,144,905)
Court related	1,891,416	90,435	425,062	—	(1,375,919)	—	(1,375,919)
Total Governmental Activities	<u>23,999,661</u>	<u>3,720,519</u>	<u>3,219,576</u>	<u>1,086,594</u>	<u>(15,972,972)</u>		<u>(15,972,972)</u>
Business-Type Activities							
Hospital	<u>8,851,408</u>	<u>7,692,626</u>	<u>10,656</u>	<u>—</u>	<u>—</u>	<u>(1,148,126)</u>	<u>(17,121,098)</u>
Total Primary Government	<u>\$32,851,069</u>	<u>\$11,413,145</u>	<u>\$ 3,230,232</u>	<u>\$ 1,086,594</u>	(15,972,972)	(1,148,126)	<u>(33,094,070)</u>
General Revenues:							
Property tax					11,691,817	—	11,691,817
Local Option Sales					3,700,232	—	3,700,232
Sales tax and other shared revenues					3,784,767	—	3,784,767
Local option gas tax					307,968	—	307,968
Investment earnings					116,552	—	116,552
Miscellaneous					845,714	—	845,714
Transfers					<u>(2,988,043)</u>	<u>2,988,043</u>	<u>—</u>
Total General Revenues					<u>17,459,007</u>	<u>2,988,043</u>	<u>20,447,050</u>
Changes in Net Position					<u>1,486,035</u>	<u>1,839,917</u>	<u>3,325,952</u>
Net Position – Beginning of Year					<u>87,787,680</u>	<u>3,096,230</u>	<u>90,883,910</u>
Net Position – End of Year					<u>\$ 89,273,715</u>	<u>\$ 4,936,147</u>	<u>\$ 94,209,862</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
BALANCE SHEET
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>General</u>	<u>Hospital Trust</u>	<u>Landfill Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash & cash equivalent	\$11,233,621	\$ 4,341,041	\$ 2,853,506	\$ 3,392,020	\$ 21,820,188
Equity in pooled cash	502,114	—	757,126	1,180,095	2,439,335
Due from other funds	389,279	—	4,396	109,589	503,264
Due from other governmental units	936,756	386,069	—	949,567	2,272,392
Accounts receivable, net	54,986	—	152,014	7,588	214,588
Notes receivable	—	—	—	687,749	687,749
Prepaid expenses	13,872	—	—	24,006	37,878
Total Assets	<u>\$13,130,628</u>	<u>\$ 4,727,110</u>	<u>\$ 3,767,042</u>	<u>\$ 6,350,614</u>	<u>\$ 27,975,394</u>
Liabilities Deferred Inflows & Fund Balances					
Liabilities					
Customer deposits	\$ —	\$ —	\$ 7,000	\$ —	\$ 7,000
Vouchers payable	231,167	—	56,501	330,867	618,535
Due to other governmental units	46,337	—	—	67,748	114,085
Due to other funds	341,249	367,187	1,450	160,565	870,451
Total Liabilities	<u>618,753</u>	<u>367,187</u>	<u>64,951</u>	<u>559,180</u>	<u>1,610,071</u>
Deferred Inflows					
Notes receivable	—	—	—	668,085	668,085
Fines	—	—	—	3,160	3,160
Grant funds	85,264	—	—	327,900	413,164
Total Deferred Inflows	<u>85,264</u>	<u>—</u>	<u>—</u>	<u>999,145</u>	<u>1,084,409</u>
Fund Balances					
Nonspendable	13,872	—	—	24,006	37,878
Restricted	22,235	4,359,923	1,661,738	4,680,830	10,724,726
Assigned	—	—	2,040,353	87,453	2,127,806
Unassigned	12,390,504	—	—	—	12,390,504
Total fund Balances	<u>12,426,611</u>	<u>4,359,923</u>	<u>3,702,091</u>	<u>4,792,289</u>	<u>25,280,914</u>
Total Liabilities Deferred Inflows & Fund Balances	<u>\$13,130,628</u>	<u>\$ 4,727,110</u>	<u>\$ 3,767,042</u>	<u>\$ 6,350,614</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds 95,408,956

Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the fund. (21,378,517)

Pension liabilities are not due and payable in the current period and therefore, are not reported as liabilities in government funds, nor are related deferred outflows and inflows. (10,656,905)

Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds. 619,267

Net position of governmental activities **\$ 89,273,715**

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>General</u>	<u>Hospital Trust</u>	<u>Landfill Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$11,565,959	\$ 2,157,004	\$ —	\$ 1,723,196	\$ 15,446,159
Licenses	243,541	—	—	499,628	743,169
Intergovernmental	4,235,006	—	—	3,873,228	8,108,234
Fines and forfeitures	5,358	—	—	65,681	71,039
Charges for services	260,672	—	2,604,883	352,673	3,218,228
Investment earnings and other	<u>605,459</u>	<u>7,904</u>	<u>23,703</u>	<u>330,468</u>	<u>967,534</u>
Total Revenues	<u>16,915,995</u>	<u>2,164,908</u>	<u>2,628,586</u>	<u>6,844,874</u>	<u>28,554,363</u>
Expenditures					
Current					
General government	5,442,751	—	—	1,857	5,444,608
Public safety	4,825,275	—	—	627,740	5,453,015
Physical environment	1,597,398	—	474,751	3,900	2,076,049
Transportation	178,771	—	—	2,577,365	2,756,136
Economic environment	55,468	—	—	1,535,941	1,591,409
Human services	546,188	—	—	197,520	743,708
Culture and recreation	1,190,230	—	—	—	1,190,230
Court related	973,027	—	—	654,257	1,627,284
Capital outlay	1,524,722	—	193,290	894,529	2,612,541
Debt service	<u>476,927</u>	<u>—</u>	<u>52,807</u>	<u>401,405</u>	<u>931,139</u>
Total Expenditures	<u>16,810,757</u>	<u>—</u>	<u>720,848</u>	<u>6,894,514</u>	<u>24,426,119</u>
Excess (deficit) of revenues over (under) expenditures	<u>105,238</u>	<u>2,164,908</u>	<u>1,907,738</u>	<u>(49,640)</u>	<u>4,128,244</u>
Other financing sources (uses)					
Transfers in	388,438	25,350	200,000	166,287	780,075
Transfers out	(1,305,591)	(2,121,141)	(200,000)	(141,386)	(3,768,118)
Debt proceeds	<u>731,466</u>	<u>—</u>	<u>—</u>	<u>481,594</u>	<u>1,213,060</u>
Total other financing sources (uses)	<u>(185,687)</u>	<u>(2,095,791)</u>	<u>—</u>	<u>506,495</u>	<u>(1,774,983)</u>
Net change in fund balances	(80,449)	69,117	1,907,738	456,855	2,353,261
Fund balances-beginning	<u>12,507,060</u>	<u>4,290,806</u>	<u>1,794,353</u>	<u>4,335,434</u>	<u>22,927,653</u>
Fund balances-ending	<u>\$12,426,611</u>	<u>\$ 4,359,923</u>	<u>\$ 3,702,091</u>	<u>\$ 4,792,289</u>	<u>\$ 25,280,914</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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

Net change in fund balances – total governmental funds (page 15)	\$ 2,353,261
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of activities.	2,612,541
Pension contributions are reported as expenditures in the funds while pension expenses is reported in the government-wide statements.	(1,849,292)
Depreciation expense on governmental capital assets included in the governmental activities in the statement of activities.	(983,339)
Repayment of long-term debt is reported as an expenditure in governmental funds but as a reduction of long-term liabilities in the statement of net position. While borrowing is reported as a revenue in the funds and an increase in long term liabilities in the statement of net position.	
Repayment of long term debt	888,166
New borrowings	(1,213,060)
Disposal of capital assets only consider the sales proceeds in the Fund while the cost of the asset is also included in the Government-wide statements.	(228,399)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(93,843)</u>
 Change in net position of governmental activities	 <u>\$ 1,486,035</u>

See accompanying notes to the basic financial statements

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET (GAAP BASIS) AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Budget Original</u>	<u>Budget Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Taxes	\$11,891,987	\$11,891,987	\$11,565,959	\$ (326,028)
Licenses and permits	187,826	187,826	243,541	55,715
Intergovernmental	3,431,422	4,143,236	4,235,006	91,770
Fines and forfeitures	—	—	5,358	5,358
Charges for services	267,985	267,985	260,672	(7,313)
Miscellaneous revenues	<u>245,376</u>	<u>675,030</u>	<u>605,459</u>	<u>(69,571)</u>
Total Revenues	<u>16,024,596</u>	<u>17,166,064</u>	<u>16,915,995</u>	<u>(250,069)</u>
EXPENDITURES				
Current				
General government	4,756,894	4,938,294	5,442,751	(504,457)
Public safety	6,344,958	6,369,288	4,825,275	1,544,013
Physical environment	1,177,875	1,608,518	1,597,398	11,120
Transportation	372,092	372,092	178,771	193,321
Economic environment	63,604	63,604	55,468	8,136
Human services	624,024	614,024	546,188	67,836
Culture and recreation	2,589,808	3,050,366	1,190,230	1,860,136
Court related	1,599,384	1,600,284	973,027	627,257
Debt Service	68,656	45,640	476,927	(431,287)
Capital outlay	<u>1,372,152</u>	<u>1,527,052</u>	<u>1,524,722</u>	<u>2,330</u>
Total Expenditures	<u>18,969,447</u>	<u>20,189,162</u>	<u>16,810,757</u>	<u>3,378,405</u>
Excess (deficit) of revenues over (under) expenditures	(2,944,851)	(3,023,098)	105,238	3,128,336
Other financing sources (uses)				
Transfers in	544,685	560,566	388,438	(172,128)
Transfers out	(1,410,562)	(1,351,568)	(1,305,591)	45,977
Debt issuance	—	—	<u>731,466</u>	<u>731,466</u>
Total other financing sources (uses)	<u>(865,877)</u>	<u>(791,002)</u>	<u>(185,687)</u>	<u>605,315</u>
Net change in Fund Balance	(3,810,728)	(3,814,100)	(80,449)	3,733,651
Fund balance - beginning	<u>12,507,060</u>	<u>12,507,060</u>	<u>12,507,060</u>	—
Fund balance - ending	<u>\$ 8,696,332</u>	<u>\$ 8,692,960</u>	<u>\$ 12,426,611</u>	<u>\$ 3,733,651</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL
HOSPITAL TRUST
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Budget Original</u>	<u>Budget Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Taxes	\$ 2,338,160	\$ 2,338,160	\$ 2,157,004	\$ (181,156)
Miscellaneous revenues	5,268	5,268	7,904	2,636
Total Revenues	<u>2,343,428</u>	<u>2,343,428</u>	<u>2,164,908</u>	<u>(178,520)</u>
EXPENDITURES				
Current				
Human services	—	—	—	—
Capital outlay	—	—	—	—
Total Expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficit) of revenues over (under) expenditures	2,343,428	2,343,428	2,164,908	(178,520)
Other financing sources (uses)				
Transfers in	—	—	25,350	25,350
Transfers out	<u>(5,535,177)</u>	<u>(5,535,177)</u>	<u>(2,121,141)</u>	<u>3,414,036</u>
Total other financing sources (uses)	<u>(5,535,177)</u>	<u>(5,535,177)</u>	<u>(2,095,791)</u>	<u>3,439,386</u>
Net changes in fund balance	(3,191,749)	(3,191,749)	69,117	3,260,866
Fund balance – beginning of year	<u>4,290,806</u>	<u>4,290,806</u>	<u>4,290,806</u>	<u>—</u>
Fund balance – End of year	<u>\$ 1,099,057</u>	<u>\$ 1,099,057</u>	<u>\$ 4,359,923</u>	<u>\$ 3,260,866</u>

See accompanying notes to the basic financial statements

FRANKLIN COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL
Landfill
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Budget Original</u>	<u>Budget Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Charges for services	\$ 482,938	\$ 676,228	\$ 2,604,883	\$ 1,928,655
Investment and other.	17,037	17,037	23,703	6,666
Total Revenues	<u>499,975</u>	<u>693,265</u>	<u>2,628,586</u>	<u>1,935,321</u>
EXPENDITURES				
Physical environmental	2,135,068	2,135,068	474,751	1,660,317
Debt service	52,807	52,809	52,807	2
Capital outlay	—	193,290	193,290	—
Total Expenditures	<u>2,187,875</u>	<u>2,381,167</u>	<u>720,848</u>	<u>1,660,319</u>
Excess (deficit) of revenues over (under) expenditures	(1,687,900)	(1,687,902)	1,907,738	3,595,640
Other financing sources (uses)				
Transfers in	200,000	200,000	200,000	—
Transfers out	<u>(200,000)</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>—</u>
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net changes in fund balance	(1,687,900)	(1,687,902)	1,907,738	3,595,640
Fund balance – beginning of year	<u>1,794,353</u>	<u>1,794,353</u>	<u>1,794,353</u>	<u>—</u>
Fund balance – End of year	<u>\$ 106,453</u>	<u>\$ 106,451</u>	<u>\$ 3,702,091</u>	<u>\$ 3,595,640</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

<u>Business-type Activities – Enterprise Fund</u>		<u>Hospital</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$	271,385
Patient accounts receivable, net of estimated uncollectibles of approximately \$1,178,000		747,888
Due from other funds		367,187
Other receivables		294,880
Prepaid expenses		90,436
Supplies		<u>74,140</u>
Total current assets		<u>1,845,916</u>
Noncurrent Assets		
Capital assets		
Land		13,400
Buildings		1,641,286
Equipment and furniture		2,011,364
Construction in progress		<u>2,575,437</u>
Total capital assets		6,241,487
Less accumulated depreciation		<u>(1,891,833)</u>
Net capital assets (net of accumulated depreciation)		<u>4,349,654</u>
Total Assets		<u>\$ 6,195,570</u>
LIABILITIES and Net Position		
Current Liabilities		
Accounts payable	\$	908,377
Accrued compensation and payroll taxes		21,310
Other accrued liabilities		175,000
Due to other funds		—
Estimated third party settlements		33,056
Compensated absences		<u>121,680</u>
Total Liabilities		<u>1,259,423</u>
Net Position:		
Net investment in capital assets		4,145,705
Unrestricted		<u>790,442</u>
Total Net Position		<u>4,936,147</u>
Total Liabilities and Net Position		<u>\$ 6,195,570</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED SEPTEMBER 30, 2019**

<u>Business-type Activities – Enterprise Fund</u>		<u>Hospital</u>
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts of \$2,024,000 in 2019 and \$1,619,000 in 2018	\$	6,146,249
Other operating revenue		<u>80,489</u>
Total operating revenues		<u>6,226,738</u>
Operating expenses		
Employee leasing, benefits and other expenses	4,998,996	
Professional services	919,817	
Other contract services	806,530	
Clinical supplies	653,397	
Insurance	325,066	
Utilities	221,931	
Depreciation and amortization	211,824	
Other current charges	162,386	
Minor equipment	152,636	
Repairs and maintenance	122,618	
Other patient care related costs	94,233	
Licenses, permits and fees	83,496	
Communications	66,077	
Supplies	<u>32,401</u>	
Total operating expenses		<u>8,851,408</u>
Operating Income (loss)		<u>(2,624,670)</u>
Nonoperating revenues (expenses)		
Interest income	2,507	
Noncapital grants and contributions	10,656	
Other income	1,447,508	
Gain on disposal of capital assets	16,110	
Interest expense	<u>(237)</u>	
Total nonoperating revenues (expenses)		<u>1,476,544</u>
Loss before transfers		(1,148,126)
Transfers		
Transfers in	3,013,393	
Transfers out	<u>(25,350)</u>	
Total transfers		<u>2,988,043</u>
Change in net position		<u>1,839,917</u>
Net Position – beginning of year		<u>3,096,230</u>
Net position, end of year		<u>\$ 4,936,147</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Business-type Activities – Enterprise Fund

	<u>Hospital</u>
Operating activities	
Receipts from and on behalf of patients	\$ 6,115,972
Payments to suppliers and others	(3,558,335)
Payments to and on behalf of leased employees	(5,170,932)
Receipt of electronic health records incentives	39,847
Other receipts (payments), net	<u>36,925</u>
Net cash used in operating activities	<u>(2,536,523)</u>
Noncapital financing activities	
Receipt of noncapital grants and contributions	10,656
Net change in due from other funds	(1,215)
Interest paid	(237)
Non-capital related transfers in	<u>1,984,401</u>
Net cash provided by noncapital financing activities	<u>1,993,605</u>
Capital and related financing activities	
Purchase of capital assets	(233,644)
Receipt of insurance proceeds	25,350
Capital related transfers in	288,639
Capital related transfers out	<u>(25,350)</u>
Net cash provided by (used in) capital and Related financing activities	<u>54,995</u>
Investing activities	
Interest received	<u>2,507</u>
Net cash provided by investing activities	<u>2,507</u>
Net increase in cash and cash equivalents	(485,416)
Cash and cash equivalents, beginning	<u>756,801</u>
Cash and cash equivalents, ending	<u><u>\$ 271,385</u></u>

See accompanying notes to the basic financial statements

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

FOR THE YEAR ENDED SEPTEMBER 30, 2019

<u>Business-type Activities – Enterprise Fund</u>	
	<u>Hospital</u>
Reconciliation of operating income (loss) to net cash used in operating activities	
Operating income (loss)	\$ <u>(2,624,670)</u>
Adjustments to reconcile operating income (loss) to net cash used in operating activities	
Depreciation and amortization	211,824
Provision for bad debts	2,024,280
Other nonoperating income	(3,717)
Changes in:	
Patient accounts receivable	(2,047,978)
Supplies	(26,101)
Prepaid expenses	(73,384)
Other receivables	(587)
Accounts payable	17,839
Accrued compensation and payroll taxes	(209,854)
Other accrued liabilities	175,000
Compensated absences	11,889
Estimated third-party settlements	<u>8,936</u>
Net cash used in operating activities	<u>\$ (2,536,523)</u>
Noncash Investing, Capital and Financing Activities:	
Purchase of equipment through accounts payable	\$ 53,949
Purchase of capital assets by insurer	1,451,225
Accrual of property insurance deductible	150,000
Forgiveness of interfund debt by Hospital Trust Fund	690,000

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Agency Funds	
Assets	
Cash and cash equivalents	\$ 966,693
Total Assets	<u>\$ 966,693</u>
Liabilities	
Due to individuals	\$ 414,956
Due to other funds	25,661
Due to other governments	520,188
Due to other Board of County Commissioners	<u>5,888</u>
Total Liabilities	<u>\$ 966,693</u>

See accompanying notes to the basic financial statements

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Component Units

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

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

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

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

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Funds

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

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

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

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

Proprietary Funds

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

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

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

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

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

Governmental Major Funds

- General – The general fund is the County’s primary operating fund. It is used to account for all resources traditionally associated with governments except those required to be accounted for in other funds.
- Hospital Trust – This fund is used to account for the sales tax proceeds restricted for use at the county hospital.
- Landfill Fund – This fund is used to account for landfill activities.

Proprietary Major Funds

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

Other Fund Types

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

Noncurrent Governmental Assets/Liabilities

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

Budgets

Annual budgets are legally adopted for all governmental funds and proprietary funds. Budgets are prepared and adopted on a basis of accounting consistent with U.S. generally accepted accounting principles. Encumbrances are not recorded. Unexpended items at year end must be reappropriated in the subsequent year.

The annual budgets serve as the legal authorization for expenditures. Expenditures cannot legally exceed the total amount budgeted for each fund. All budget amendments, which change the legally adopted total appropriation for a fund, are approved by the Board.

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Investments

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

External Investment Pools

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

Derivatives and Similar Debt and Investment Items

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

Cash and Cash Equivalents

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

Restricted Assets

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

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable

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

Due from (to) Other Funds

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

Capital Assets

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

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

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

The Sheriff is accountable for and maintains capital asset records pertaining only to equipment used in his operations. These assets have been combined with the Board's governmental activities capital assets in the statement of net position.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives of the related assets. Estimated useful lives are generally as follows:

Buildings	20-50 years
Improvements other than buildings	20-50 years
Machinery and equipment	5-20 years
Infrastructure	15-50 years

Deferred Inflows

Deferred inflows reported in the government-wide financial statements represent unearned revenues. The deferred inflows will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Deferred inflows reported in governmental fund financial statements represent unearned revenues which are measurable but not available, and in accordance with the modified accrual basis of accounting, are reported as deferred inflows.

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

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

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

Fund Balances

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

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

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

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

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

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

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

Property Taxes

Under Florida law, the assessment of all properties and the collection of all County, Municipal and School Board property taxes are consolidated in the offices of the Property Appraiser and Tax Collector. The laws of the State regulating tax assessment are also designed to assure a consistent property valuation method statewide. Florida Statutes permit counties to levy property taxes at a rate of up to 10 mills for general operations. The millage rate assessed by the County for the year ended September 30, 2019 was 6.3065 mills.

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

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Use of Estimates

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

Encumbrances

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

Landfill Closure Costs

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

Subsequent Events

The County evaluated subsequent events through June 26, 2020, the date which the financial statements were available to be issued.

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

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

On January 7, 2020, the Florida Department of Emergency Management allocated \$266,578 to the Hospital for loss of revenue claims during Hurricane Michael, which made landfall in October 2018 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 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

Loans payable	\$ 1,535,212
Compensated absences	705,424
Net OPEB obligation	15,926,021
Landfill closing costs	<u>3,211,860</u>
Net adjustment to reduce fund balances – total governmental funds to arrive at net position of governmental activities	<u>\$ 21,378,517</u>

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

Cost of capital assets	\$ 163,531,422
Less: accumulated depreciation	<u>(68,122,466)</u>
Net adjustment to increase fund balances – total governmental funds to arrive at net position of governmental activities	<u>\$ 95,408,956</u>

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

Deferred revenues	<u>\$ 619,267</u>
Net adjustment to increase fund balances – total governmental funds to arrive at net position of governmental activities	<u>\$ 619,267</u>

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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

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

Compensated absences	\$ (86,007)
Change in deferred revenue	159,474
Change in landfill closure liability	<u>(167,310)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position of governmental activities	<u>\$ (93,843)</u>

NOTE 3 –CASH AND INVESTMENTS

Deposits Policies

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

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

Investment Policies

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

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

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

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

Direct obligations of the United States Treasury.

Federal agencies and instrumentalities.

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 3 –CASH AND INVESTMENTS (continued)

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

The County had no investments at September 30, 2019.

Credit Risks

The credit risk of certain investments, such as investment pools managed by other governments, cannot be categorized as to credit risk because the County investments are not evidenced by specific, identifiable investment securities.

Interest Rate Risks

At September 30, 2019, the County did not hold any investments other than those disclosed below that were considered to be an interest rate risk.

Custodial Risks

At September 30, 2019, the County held deposits or investments that were considered to be a custodial risk. See below.

Concentration of Credit Risk

At September 30, 2019, the County did not hold any investments that were considered to be a concentration of credit risk.

At September 30, 2019, the County’s cash and investments consisted of the following:

	Credit Rating	Current	0 - 5 Years	5 – 10 Years	Total Carrying Amount
Cash including money market fund	(1)	\$22,091,573	\$ —	\$ —	\$22,091,573
Local Government Surplus Trust Fund Pool		<u>2,439,335</u>	<u>—</u>	<u>—</u>	<u>2,439,335</u>
Total		<u>\$24,530,908</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$24,530,908</u>

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

Local Government Surplus Funds Trust Fund (Florida PRIME)

The Florida PRIME is considered a SEC 2a7-like fund and the account balance is the fair value of the investment.

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

Interest rate risk – The weighted average days to maturity of the Florida PRIME at September 30, 2019 was 32 days.

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 4 –ACCOUNTS RECEIVABLE AND NOTES RECEIVABLE

Accounts receivables at September 30, 2019, consisted of the following:

Governmental Activities - Accounts/Notes Receivable	General	Other Governmental Funds	Total
Accounts receivable	\$ 214,588	\$ —	\$ 214,588
Notes receivable	—	687,749	687,749
(Allowance for doubtful accounts)	—	—	—
Accounts receivable, net	<u>\$ 214,588</u>	<u>\$ 687,749</u>	<u>\$ 902,337</u>

Business-type Activities - Accounts Receivable	Hospital
Accounts receivable	\$3,011,888
(Allowance for uncollectible accounts)	<u>(2,264,000)</u>
Accounts receivable, net	<u>\$ 747,888</u>

NOTE 5 –INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS

All interfund balance are due to timing differences and are expected to be repaid during the fiscal year ending September 30, 2019.

Internal balances at September 30, 2019, consist of the following:

Fund	Interfund Receivables	Interfund Payables
General	\$ 389,279	\$ 341,249
Special revenue		
County road and bridge	68,690	5,062
Fire protection	1,816	14,037
911 Trust	794	10,141
Landfill	4,396	1,450
Mosquito control	3,515	1,463
Law enforcement educational trust	120	—
Hospital trust	—	367,187
Tourist development	—	318
Boating improvement	768	—
Airport	10,537	108,598
Clerk’s fine and forfeitures	20,117	20,946
Clerk’s modernization trust	3,232	—
Total special revenue	<u>113,985</u>	<u>529,202</u>
Agency	—	25,661
Enterprise - Hospital	367,187	844,790
Total	<u>\$ 870,451</u>	<u>\$ 870,451</u>

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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

During the year, the County approved the removal of an outstanding amount due of \$690,000 from Weems Memorial Hospital to the Health Care Trust Fund. The \$690,000 was the outstanding balance of operational advancements given to Weems Hospital from the Health Care Trust Fund in 2015/2016 when they were experiencing Medicare and Medicaid billing issues.

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

<u>Fund Transferred From</u>	<u>Fund Transferred to</u>	<u>Amount</u>	<u>Purpose</u>
General	Nonmajor governmental funds	\$ 167,287	Purchase of equipment, and other allowable expenditures
Nonmajor governmental funds	General	141,386	To record the budgeted transfers from the landfill fund and tourist development
General	Hospital	884,252	Transfer for hospital operation
Hospital trust	Hospital	2,121,141	Transfer of ½ cent sales tax
Hospital	Hospital Trust	25,350	Transfer for claim insurance
Total		<u>\$ 3,339,416</u>	

NOTE 6 –CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended September 30, 2019, is as follows:

	<u>September 30, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2019</u>
Capital assets not being depreciated:				
Land	\$ 6,298,241	\$ 603,038	\$ —	\$ 6,901,279
Construction in progress	<u>2,871,368</u>	<u>79,158</u>	<u>1,723,473</u>	<u>1,227,053</u>
Total capital assets, not being depreciated	<u>9,169,609</u>	<u>682,196</u>	<u>1,723,473</u>	<u>8,128,332</u>
Capital assets being depreciated:				
Buildings	14,141,274	23,631	—	14,164,905
Improvements other than buildings	12,164,165	—	—	12,164,165
Machinery and equipment	16,115,927	1,518,227	538,780	17,095,374
Infrastructure	<u>109,863,701</u>	<u>2,114,945</u>	<u>—</u>	<u>111,978,646</u>
Total capital assets being depreciated	<u>152,285,067</u>	<u>3,656,803</u>	<u>538,780</u>	<u>155,403,090</u>
Accumulated depreciation:				
Buildings	5,541,857	88,501	—	5,630,358
Improvements other than buildings	3,993,556	78,667	—	4,072,223
Machinery and equipment	13,682,918	108,167	307,396	13,483,689
Infrastructure	<u>44,228,192</u>	<u>708,004</u>	<u>—</u>	<u>44,936,196</u>
Total accumulated depreciation	<u>67,446,523</u>	<u>983,339</u>	<u>307,396</u>	<u>68,122,466</u>
Total capital assets being depreciated, net	<u>84,838,544</u>	<u>2,673,464</u>	<u>231,384</u>	<u>87,280,624</u>
Total governmental-type activities', capital assets, (net of accumulated depreciation)	<u>\$ 94,008,153</u>	<u>\$ 3,355,660</u>	<u>\$ 1,954,857</u>	<u>\$ 95,408,956</u>

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 6 – CAPITAL ASSETS (continued)

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

General Government	\$	53,856
Court related		10,348
Public safety		104,113
Physical environment		43,724
Transportation		694,895
Economic environment		726
Human services		21,368
Culture and recreation		<u>54,309</u>

Total depreciation expense – governmental activities **\$ 983,339**

Capital assets activity for the year ended September 30, 2019, was as follows:

	<u>Restated 10/01/18</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Balance 9/30/19</u>
Proprietary Fund				
Capital assets not being depreciated				
Land	\$ 13,400	\$ —	\$ —	\$ 13,400
Construction in progress	<u>1,025,270</u>	<u>1,550,167</u>	<u>—</u>	<u>2,575,437</u>
Total capital assets, not being depreciated	<u>1,038,670</u>	<u>1,550,167</u>	<u>—</u>	<u>2,588,837</u>
Capital assets being depreciated:				
Buildings	1,590,309	50,977	—	1,641,286
Equipment and furniture	<u>1,970,706</u>	<u>137,674</u>	<u>(97,016)</u>	<u>2,011,364</u>
Total capital assets being depreciated	3,561,015	188,651	(97,016)	3,652,650
Less accumulated depreciation	<u>(1,767,785)</u>	<u>(211,824)</u>	<u>87,776</u>	<u>(1,891,833)</u>
Total capital assets, being depreciated, net	<u>1,793,230</u>	<u>(23,173)</u>	<u>(9,240)</u>	<u>1,760,817</u>
Total capital assets, net	<u>\$ 2,831,900</u>	<u>\$ 1,526,994</u>	<u>\$ (9,240)</u>	<u>\$ 4,349,654</u>

Depreciation expense charged to business-type activities for the year ended September 30, 2019 is \$211,824.

Construction in progress includes cumulative costs of projects not yet placed in service.

At September 30, 2019 \$1,451,225 of this balance related to in-progress repairs and roof replacement resulting from Hurricane Michael damage. Such capital activity was paid for directly by the County's property insurer. Consequently, insurance proceeds of this amount are included in nonoperating other income on the accompanying statement of revenues, expenses and changes in net position for the year ended September 30, 2019. A related property insurance deductible of \$150,000 is included in other accrued liabilities on the accompanying statement of net position as of September 30, 2019. The remainder of the construction in progress balance primarily includes a project, which is still ongoing, related to planning for new hospital facilities. No depreciation was taken on these capitalized costs.

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 7 –LONG-TERM DEBT

Long-term debt of the County’s governmental activities for the year ended September 30, 2019, is as follows:

<u>Notes Payable</u>	<u>Balance September 30, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2019</u>	<u>Due Within One Year</u>
Loan to purchase Lombardi property, payable in monthly payments of \$6,333 including interest at 3.89% Maturing April 2028	500,936	—	242,078	258,859	67,119
Loan to purchase Ring Power - Caterpillar M313D Excavator lease payable in annual payments of \$48,168 maturing September 2019.	45,963	—	45,963	—	—
Loan to purchase 2016 Caterpillar 826K Compactor for Landfill, lease payable in annual payments of \$82,807 Maturing March 2023.	242,577	—	45,788	196,789	47,112
Loan to purchase 2015 Hino Knuckleboom Truck for Landfill, lease payable in annual payments of \$25,998 Maturing April 2020.	49,824	—	24,557	25,267	25,267
Loan to purchase new voting Equipment, payable in annual payments of \$14,288 including interest at 3.00% Maturing October 2022.	44,249	—	23,040	21,209	13,652
Loan for purchase of 2 2018 Mack GU813 dump trucks for road dept. Payable \$30,000 first payment, \$74,297 annual pmt Including interest at 4.20% - full maturity May 2022 will rotate with 2 new dump trucks in next fiscal year	268,378	—	268,378	—	—
Loan for purchase of surveillance equipment. Finance amount \$37,282, payable in quarterly Installments of \$2,666.	31,949	—	10,665	21,284	10,665
Loan to purchase 2018 Chev Silverado Trucks (3). Payable in monthly payments of \$2,290 including Interest at 4.40% full maturity December 2022.	—	100,427	17,526	82,901	24,293
Loan to purchase 2018 Pro Baycat boat, Payable in monthly payments of \$556 Including interest at 4.40% Full maturity December 2020	—	24,414	4,254	20,160	5,897

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 7 –LONG-TERM DEBT(continued)

Notes Payable	Balance September 30, 2018	Additions	Deductions	Balance September 30, 2019	Due Within One Year
Loan to purchase 2019 Chev Silverado, Payable in monthly payments of \$848 Including interest at 4.40% Full maturity May 2023.	—	37,175	2,857	34,318	8,830
Loan to purchase Chev Silverado Trucks (2), payable in quarterly payments of \$6,206 including interest at 5.8% Full maturity December 2021.	—	69,449	17,048	52,401	22,541
Rolling lease arrangement for lease Purchase of (2), 2019 Mack GR64F Dump Trucks for Road Dept, payable \$30,000 first payment, \$77,398 annual Payment including interest at 4.12% - Full maturity May 2023, will rotate With 2 new dump trucks in 2020.	—	308,000	27,850	280,150	65,855
Loan to purchase 2019 caterpillar 120 Motorgrader, financed for (4) years Annual payments of \$47,261, full Maturity 07/17/2023.	—	173,594	93,159	80,435	45,071
Loan to purchase 223 Franklin Blvd, SGI 11 lots in commercial district, owner Financed at 4.5% fixed, 5 year term, Paid in full by 07.15.24	—	500,000	58,781	441,219	81,508
Loan for purchase of 2018 Hisun UTV, finance amt \$27,997 payable I quarterly installments of \$1,555.	26,442	—	6,222	20,220	6,222
Long-term landfill closure and postclosure liability, see see note 12	3,044,550	167,310	—	3,211,860	—
Liability for postemployment benefits	15,926,021	—	—	15,926,021	—
Liability for compensated absences	619,417	86,007	—	705,424	176,356
Total	<u>\$20,800,306</u>	<u>\$ 1,466,377</u>	<u>\$ 888,166</u>	<u>\$21,378,517</u>	<u>\$ 600,388</u>

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 7 –LONG-TERM DEBT(continued)

Maturities of Long-Term Debt

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

Amount due during Year ending September 30,	<u>Principle</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 424,032	\$ 55,659	\$ 479,691
2021	396,339	40,244	436,583
2022	337,848	25,029	362,877
2023	284,879	12,217	297,096
2024	92,116	2,515	94,631
Total	<u>\$1,535,214</u>	<u>\$ 135,664</u>	<u>\$1,670,878</u>

Noncurrent liabilities of the Hospital for the year ended September 30, 2019, were as follows:

	<u>Balance September 30, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2019</u>
Liability for compensated absences	\$ 109,791	\$ 11,889	\$ —	\$ 121,680
Total	<u>\$ 109,791</u>	<u>\$ 11,889</u>	<u>\$ —</u>	<u>\$ 121,680</u>

NOTE 8- PENSION PLAN

A. Florida Retirement System

Plan Description – The County contributes to the Florida Retirement System (the FRS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida, Department of Administration, Division of Retirement. The FRS provides retirement, disability or death benefits to retirees or their designated beneficiaries along with an annual cost-of-living adjustment. Employees are classified in either the regular service class or the senior management service class. Currently, the active participants for Franklin County, Florida are 175 out of total of 518,545 active FRS participants.

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

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 8- PENSION PLAN (continued)

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

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

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

The FRS CAFR and actuarial valuation reports as of July 1, 2019 are available online at http://ww.dms.myflorida.com/workforce_operations/retirement/publications/annual_reports.

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

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

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

The FRS relies upon contributions from employees and employers, along with investment income, to meet the funding requirements of an actuarially determined accrued liability. As of July 1, 2016, the date of the latest valuation, the FRS funded ratio was 84.2% on the valuation funding basis and 85.5% on a Market Value of Assets basis.

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

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 8- PENSION PLAN (continued)

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

The HIS Program is funded by required contributions from FRS participating employers as set by the State Legislature. Employer contributions are a percentage of gross compensation for all active FRS employees and are reported by employers with monthly payroll reports and included with the amount submitted for retirement contributions. For the fiscal year ended September 30, 2019, the contribution rate was 1.66% of payroll pursuant to Section 112.363, *Florida Statutes*.

The contributions required for the years ended September 30, 2019, 2018, and 2017 were \$1,216,729, \$1,010,437 and \$1,886,925, respectively, which is equal to 100% of the required contribution for each year.

Contributions

The contribution requirements of plan members and the City are established and may be amended by the Florida Legislature. Employees are required to contribute 3% of their salary to FRS. The City’s contribution rates as of September 30, 2019 were as follows:

	<u>FRS</u>	<u>HIS</u>
Regular Class	8.47%	1.66%
Special Risk Class	25.48%	1.66%
Senior Management Service Class	25.41%	1.66%
Elected Officials	48.82%	1.66%
DROP	14.60%	1.66%

Net Pension Liability – At September 30, 2019, the County reported for its share of the FRS and HIS plans the amount for the net pension liability as shown below:

	<u>FRS</u>	<u>HIS</u>	<u>Total</u>
June 30, 2019	\$11,463,009	\$2,386,447	\$13,849,456
June 30, 2018	\$10,116,851	\$2,179,127	\$12,295,978

The net pension liability for each plan was determined by the plans’ actuary and reported in the plans’ valuations dated July 1, 2019 and July 1, 2018 for the net pension liability as of June 30, 2019 and 2018, respectively.

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 8- PENSION PLAN (continued)

At September 30, 2019, the City reported for its proportionate share of the employer portion for the FRS and HIS net pension liability the percentages below:

	<u>FRS</u>	<u>HIS</u>
June 30, 2019	0.033285343%	0.021328508%
June 30, 2018	0.033587905%	0.020661452%
Increase in Share for 2018	(0.000302562)%	0.000739846%

The City's proportionate share of the net pension liability was based on the City's 2018-2019 fiscal year contributions relative to the 2017-2018 fiscal year contributions of all participating members of FRS.

Actuarial Assumptions

The total pension liability for each of the defined benefit plans, measured as of June 30, 2019, was determined by an actuarial valuation dated July 1, 2019, using the individual entry age normal actuarial cost method and the following significant actuarial assumptions:

	<u>FRS</u>	<u>HIS</u>
Inflation	2.60%	2.60%
Salary increases	3.25%	3.25%
Investment rate of return	6.9%	N/A
Discount rate	6.9%	3.5%

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

For both plans, the actuarial assumptions used in the valuation dated July 1, 2018 were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The following changes in key actuarial assumptions occurred in 2019:

FRS: The long-term expected rate of return was decreased from 7.0% to 6.9%, and the active member mortality assumption was updated.

HIS: The municipal rate used to determine total pension liability was increased from 3.87% to 3.50%.

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 8- PENSION PLAN (continued)

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

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>
Cash	1.00%	3.3%	3.3%
Fixed Income	18.00%	4.1%	4.1%
Global Equity	54.00%	8.0%	6.8%
Real Estate (Property)	10.00%	6.7%	6.1%
Private Equity	11.00%	11.2%	8.4%
Strategic Investments	6.00%	5.9%	5.7%
Total	<u>100.00%</u>		

Discount Rate

The discount rate used to measure the total pension liability for the FRS Pension Plan was 6.9%. FRS fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program is essentially funded on a pay-as-you-go basis, a municipal bond rate of 3.5% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

Sensitivity Analysis – the tables below represent the sensitivity of the net pension liability to changes in the discount rate for Franklin County, Florida. The sensitivity analysis shows the impact to the collective net pension liability of the participating employers if the discount rate shows as 1.00% higher or 1.00% lower than the current discounted rate at June 30, 2019.

<u>FRS Net Pension Liability</u>		
1% Decrease	Current Discount Rate	1% Increase
5.9%	6.9%	7.9%
<u>\$19,815,725</u>	<u>\$11,463,009</u>	<u>\$ 4,487,078</u>

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 8- PENSION PLAN (continued)

<u>HIS Net Pension Liability</u>		
1% Decrease	Current Discount Rate	1% Increase
<u>2.5%</u>	<u>3.5%</u>	<u>4.5%</u>
<u>\$ 2,724,251</u>	<u>\$ 2,386,447</u>	<u>\$ 2,105,904</u>

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

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

For the fiscal year ended September 30, 2019, the County recognized pension expense of \$2,806,397 for the FRS plan. In addition the County reported deferred outflows of resources and deferred inflows of resources relate to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources for the FRS Plan</u>	<u>Deferred Inflows of Resources for the FRS Plan</u>
Differences between expected and actual experience	\$ 679,904	\$ (7,114)
Change of assumptions	2,994,193	—
Net difference between projected and actual earnings on FRS Plan investments	—	(634,193)
Changes in proportion and differences between County FRS Plan contributions and proportionate share of contributions	226,024	(443,619)
County FRS Plan contributions subsequent to the measurement date	<u>263,704</u>	<u>—</u>
Total	<u>\$ 4,113,825</u>	<u>\$ (1,084,926)</u>

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 8- PENSION PLAN (continued)

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

Reporting Period Ending June 30	FRS Expense
2020	\$ 1,081,737
2021	326,327
2022	788,436
2023	594,767
2024	153,288
Thereafter	38,135

For the fiscal year ended September 30, 2019, the County recognized pension expense of \$183,033 for the HIS plan. In addition the County reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources for the HIS Plan	Deferred Inflows of Resources for the HIS Plan
Differences between expected and actual experience	\$ 28,986	\$ (2,922)
Change of assumptions	276,328	(195,049)
Net difference between projected and actual earnings on HIS Plan investments	1,540	—
Changes in proportion and differences between County HIS Plan contributions and proportionate share of contributions	107,417	(81,658)
County HIS Plan contributions subsequent to the measurement date	<u>29,010</u>	<u>—</u>
Total	<u>\$ 443,281</u>	<u>\$ (279,629)</u>

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

Reporting Period Ending June 30	FRS Expense
2020	\$ 46,402
2021	37,137
2022	20,329
2023	(14,762)
2024	2,681
Thereafter	17,096

FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The County has established the Retiree's Health Insurance Other Postemployment Benefits Plan, a single employer plan. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the County and eligible dependents, may continue to participate in the group insurance plan. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. The County subsidizes the premium rates paid by the retirees by paying 50% of the premium for the retiree, excluding dependent coverage, and also by allowing them to participate in the plan at blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The County currently has approximately 215 total active and retired employees eligible to receive these benefits. No stand-alone report is issued for this plan.

Eligibility

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

Funding Policy

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

The contribution rate effective for other eligible County plan members during the year for the implied subsidy is \$289 per month each for each retiree. Dependent coverage is available; however, dependent coverage is not subsidized. The explicit subsidy contribution rate is 50% of the actual premium, \$289 per month during the current year. This valuation includes both the implied and explicit subsidies.

The County has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. Rather, the funding is based on a pay-as-you-go basis. During the fiscal year, the County provided contributions of \$422,000 toward the annual OPEB cost. A Schedule of Employer Contributions can be found in required supplementary information immediately following the notes.

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Actuarial Methods and Assumptions

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

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

Changes in Total OPEB Liability and Related Ratios

Below are the details regarding the total OPEB liability for the period from October 1, 2018 to September 30, 2019 (in thousands):

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

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Sensitivity of the Total OPEB Liability

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

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

The following presents the total OPEB liability of the County, as well as what the County's total OPEB expense of 1.245 million. At September 30, 2019, the County reported deferred outflows and deferred inflows of resources related to OPEB for the following sources (in thousands):

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

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

For the year ended September 30, 2019, the County recognized OPEB expense of 1.245 million. At September 30, 2019, the county reported deferred outflows and deferred inflows of resources related to OPEB for the following sources (in thousands):

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

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

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

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 10 – FUND BALANCE

Fund balance consisted of the following amounts as of September 30, 2019:

<u>Fund Balances</u>	<u>Amount</u>
Nonspendable:	
General fund – prepaid expenses	\$ 13,872
Road and Bridge	1,200
Airport	1,200
Tourist development	1,514
911 trust fund	<u>20,092</u>
Total Nonspendable Fund Balance	<u>37,878</u>
Restricted:	
General	22,235
911 trust fund	401,356
Airport	87,684
Boating improvement fund	41,524
Clerk’s modernization trust	193,118
County road and bridge	684,803
Economic development fund	298,181
Hospital trust	4,359,923
Landfill	1,661,738
Law enforcement education trust	88,007
Law enforcement trust	3,178
Local option gas tax	1,556,827
State housing initiatives partnership	38,212
Sheriff’s special revenue funds	15,677
Tourist development fund	<u>1,272,263</u>
Total Restricted Fund Balance	<u>10,724,726</u>
Assigned:	
Landfill	2,040,353
Mosquito control fund	36,193
Sheriff’s special revenue funds	<u>51,260</u>
Total Assigned Fund Balance	<u>2,127,806</u>
Total Unassigned Fund Balance	<u>12,390,504</u>
Total fund Balance	<u>\$ 25,280,914</u>

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 11 – RISK MANAGEMENT

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

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

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

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

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

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

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

NOTE 12 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The County maintains a special revenue fund for its landfill management escrow account to ensure the availability of financial resources for closing the landfill. The escrow account balance is \$1,661,738 at September 30, 2019. Receipt of waste at the County's Class I central landfill has been indefinitely suspended and the County contracts for waste to be transported out of the Count. In the event operations were to resume at the Class I landfill, there are about two years remaining capacity. Currently, the County also operates a Class III landfill.

State and federal laws and regulations require the County to place a final cover on its landfill sites when it stops accepting waste, and to perform certain maintenance and monitoring functions at the site for approximately thirty years after closure. The \$3,211,860 amount reported as landfills closure and postclosure care liability at September 30, 2019 (see note 7), represents the portion of costs to be incurred and reported as a liability to-date based on the use of 56% of the Class I landfill estimated capacity and 100% of the Class III (original) and 37% of the Class III (expansion) landfill estimated capacity. Total estimated costs are projected at \$2,564,449 for closure and \$3,171,016 for postclosure care at current prices. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The Board follows GASB Statement No. 18 entitled *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*.

FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 13 – LITIGATION AND CONTINGENT LIABILITIES

The County is involved in various litigation arising in the ordinary course of business, including contested ad valorem tax assessments as well as a number of claims by developers and land owners for the County's denial of land use changes. In the opinion of management, after consultation with legal counsel, these matters will be resolved without a material adverse effect on the County's financial position with exception of a possible action occurring subsequent to year end. The amount of any potential loss has not yet been determined.

NOTE 14 – LEASE OF FRANKLIN COUNTY AIRPORT

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

NOTE 15 – LOCAL OPTION GAS TAX

The County adopted an ordinance effective January 1, 1998 for a period of twenty years providing for a five-cent per gallon local option gas tax on fuel sold in the County. The proceeds of this tax are being expended on road construction and road maintenance. The tax generates approximately \$250,000 in annual revenue.

NOTE 16 – EMPLOYEE LEASE

On July 20, 2010, the Hospital entered into an agreement with Fortune Business Solutions which subsequently became HR Outsourcing Inc., to provide employees for the Hospital. Under the agreement, HR Outsourcing Inc. is the employer of all persons working at the Hospital. The Hospital reimburses HR Outsourcing Inc. for all wages and management fees associated with the lease. The agreement automatically renews each year unless written notice is provided 60 days prior to the beginning of the next term.

Employee leasing costs totaled \$4,010,738 for the year ended September 30, 2019.

**FRANKLIN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 17 – NEW ACCOUNTING STANDARDS

During The year ended September 30, 2019, the County adopted two new statements of financial accounting standards issued by GASB, as follows:

- GASB Statement No. 83, *Certain Asset Retirement Obligations (GASB83)*
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements (GASB 88)*

GASB 83 establishes standards of accounting and financial reporting requirements for legally enforceable liabilities associated with the retirement of certain tangible capital assets. State and local governments that have legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the regulation of GASB 83. The requirements of GASB 83 are effective for reporting periods beginning after June 15, 2018. GASB 83 had no impact on the County financial statements.

GASB 88 defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. GASB 88 requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant subjective acceleration clauses, GASB 88 also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of GASB 88 are effective for reporting periods beginning after June 15, 2018. GASB 88 had no impact on the County's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**FRANKLIN COUNTY, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED SEPTEMBER 30, 2019**

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

Last Ten Fiscal Years*
 (Dollars in Thousands)

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

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

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

FRANKLIN COUNTY, FLORIDA
PROPORTIONATE SHARE OF NET PENSION LIABILITY
Last Ten Years*
SEPTEMBER 30, 2019

Florida Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Franklin County, Florida's proportion of the net pension liability	0.033285343%	0.33587905%	0.03488977%	0.03570204%
Franklin County, Florida's proportionate share of the net pension liability	\$ 11,463,009	\$ 10,116,851	\$ 10,320,160	\$ 9,014,793
Franklin County, Florida's covered-employee payroll	\$ 7,177,335	\$ 6,547,976	\$ 6,628,676	\$ 6,504,034
Franklin County, Florida's proportionate share of the net pension liability as a percentage of its covered-employee payroll	159.71%	154.50%	155.69%	138.60%
Plan fiduciary net position as a percentage of the total pension liability	85.16%	154.50%	83.89%	84.88%

Health Insurance Subsidy Programs

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Franklin County, Florida's proportion of the net pension liability	0.02132850%	0.020588662%	0.020661452%	0.020633700%
Franklin County, Florida's proportionate share of the net pension liability	\$ 2,386,447	\$ 2,179,127	\$ 2,209,218	\$ 2,404,772
Franklin County, Florida's covered-employee payroll	\$ 7,177,335	\$ 6,547,976	\$ 6,628,676	\$ 6,504,034
Franklin County, Florida's proportionate share of the net pension liability as a percentage of its covered-employee payroll	33.25%	33.33%	36.97%	36.97%
Plan fiduciary net position as a percentage of the total pension liability	2.10%	1.64%	0.97%	0.97%

(continued)

FRANKLIN COUNTY, FLORIDA
PROPORTIONATE SHARE OF NET PENSION LIABILITY (continued)
Last Ten Years*
SEPTEMBER 30, 2019

Florida Retirement System

	<u>2015</u>
Franklin County, Florida's proportion of the net pension liability	0.053894033%
Franklin County, Florida's proportionate share of the net pension liability	\$ 6,961,137
Franklin County, Florida's covered-employee payroll	\$ 6,373,330
Franklin County, Florida's proportionate share of the net pension liability as a percentage of its covered-employee payroll	109.22%
Plan fiduciary net position as a percentage of the total pension liability	92.00%

Health Insurance Subsidy Programs

	<u>2015</u>
Franklin County, Florida's proportion of the net pension liability	0.021258895%
Franklin County, Florida's proportionate share of the net pension liability	\$ 4,117,722
Franklin County, Florida's covered-employee payroll	\$ 6,373,330
Franklin County, Florida's proportionate share of the net pension liability as a percentage of its covered-employee payroll	64.61%
Plan fiduciary net position as a percentage of the total pension liability	0.50%

Notes to schedules:

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

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

**Covered employee payroll includes defined benefit plan actives, investment plan members, and members in DROP for the measurement period ending June 30, 2019.

FRANKLIN COUNTY, FLORIDA
SCHEDULE OF PENSION CONTRIBUTIONS
Last Ten Fiscal Years*
SEPTEMBER 30, 2019

Florida Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 1,090,412	\$ 1,204,537	\$ 1,144,081	\$ 1,099,477
Contributions in relation to the contractually required contribution	<u>(1,090,412)</u>	<u>(1,204,537)</u>	<u>(1,144,081)</u>	<u>(1,099,477)</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Franklin County, Florida's covered-employee payroll	\$ 7,177,335	\$ 6,547,976	\$ 6,628,676	\$ 6,504,034
Contribution as a percentage of covered-employee payroll	15.19%	18.4%	17.26%	16.90%

Health Insurance Subsidy Programs

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 126,317	\$ 139,537	\$ 137,061	\$ 133,367
Contributions in relation to the contractually required contribution	<u>(126,317)</u>	<u>(139,537)</u>	<u>(137,061)</u>	<u>(133,367)</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Franklin County, Florida's covered-employee payroll	\$ 7,177,335	\$ 6,547,976	\$ 6,628,676	\$ 6,504,034
Contribution as a percentage of covered-employee payroll	1.76%	2.13%	2.07%	2.05%

(continued)

FRANKLIN COUNTY, FLORIDA
SCHEDULE OF PENSION CONTRIBUTIONS (continued)
Last Ten Fiscal Years*
SEPTEMBER 30, 2019

Florida Retirement System

	<u>2015</u>
Contractually required contribution	\$ 267,413
Contributions in relation to the contractually required contribution	<u>(267,413)</u>
Contribution deficiency (excess)	<u>\$ —</u>
Franklin County, Florida's covered-employee payroll	\$ 6,373,330
Contribution as a percentage of covered-employee payroll	4.20%

Health Insurance Subsidy Programs

	<u>2015</u>
Contractually required contribution	\$ 33,450
Contributions in relation to the contractually required contribution	<u>(33,450)</u>
Contribution deficiency (excess)	<u>\$ —</u>
Franklin County, Florida's covered-employee payroll	\$ 6,373,330
Contribution as a percentage of covered-employee payroll	0.52%

Notes to schedules:

*Covered employee payroll includes defined benefit plan actives, investment plan members, and members in DROP for the fiscal year ended September 30, 2019.

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

**FRANKLIN COUNTY, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2019**

NOTE 1 – OPEB INFORMATION

The county did not have plan assets accumulated in a trust. For the measurement date of September 30, 2019, the actuarial valuation used a discount rate of 3.50% as of October 1, 2018, and 4.15% as of September 30, 2019. The discount rate will be updated annually to reflect market conditions as of the measurement date.

NOTE 2 – PENSION INFORMATION

The discount rate used to measure the pension liability of the Pension Plan at June 30, 2019 was decreased from 7.0% to 6.9%. The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the valuations of the defined benefit pension plans pursuant to Section 216.136(10), Florida Statutes. The 6.9% rate of return assumption used in the June 30, 2019 calculations was determined by the Plan's consulting actuary to be reasonable and appropriate per Actuarial Standard of Practice No. 27 (ASOP 27) for accounting purposes which differs from the rate used for funding purposes which is used to establish the contribution rates of the Pension Plan.

COMBINING FINANCIAL STATEMENTS

**FRANKLIN COUNTY, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

	<u>Special Revenue</u>				
	<u>County Road and Bridge</u>	<u>911 Trust</u>	<u>Fire Protection</u>	<u>Airport</u>	<u>Tourist Development</u>
Assets					
Cash and cash equivalents	\$ 76,849	\$ 384,377	\$ 118,094	\$ 1,215	\$ 1,027,026
Equity in pooled cash	284,321	—	—	—	79,253
Due from other funds	68,690	794	1,816	10,537	—
Due from other government units	295,890	29,143	—	230,719	224,290
Prepaid expenses	1,200	20,092	—	1,200	1,514
Accounts receivable (net)	<u>1,803</u>	<u>255</u>	<u>—</u>	<u>4,482</u>	<u>1,048</u>
Total Assets	<u>\$ 728,753</u>	<u>\$ 434,661</u>	<u>\$ 119,910</u>	<u>\$ 248,153</u>	<u>\$ 1,333,131</u>
Liabilities Deferred Inflows and Fund Balances					
Liabilities					
Customer deposits	—	—	—	—	—
Vouchers payable	37,688	3,072	105,873	50,671	55,286
Due to other government	—	—	—	—	3,750
Due to other funds	<u>5,062</u>	<u>10,141</u>	<u>14,037</u>	<u>108,598</u>	<u>318</u>
Total liabilities	<u>42,750</u>	<u>13,213</u>	<u>119,910</u>	<u>159,269</u>	<u>59,354</u>
Deferred Inflows					
Total Deferred Inflows	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances					
Nonspendable	1,200	20,092	—	1,200	1,514
Restricted	684,803	401,356	—	87,684	1,272,263
Assigned	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total fund balances	<u>686,003</u>	<u>421,448</u>	<u>—</u>	<u>88,884</u>	<u>1,273,777</u>
Total liabilities Deferred Inflows and Fund balances	<u>\$ 728,753</u>	<u>\$ 434,661</u>	<u>\$ 119,910</u>	<u>\$ 248,153</u>	<u>\$ 1,333,131</u>

(Continued)

**FRANKLIN COUNTY, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Continued)
SEPTEMBER 30, 2019**

	Special Revenue					
	Mosquito Control	Clerk's Fine and Forfeitures	Clerk Modernization Trust	Sheriff's Special Revenue	Enforcement Educational Trust	Law Enforcement Trust
Assets						
Cash and cash equivalents	\$ 47,375	\$ 69,749	\$ 190,694	\$ 66,937	\$ —	\$ —
Equity in pooled cash	—	—	—	—	87,887	3,178
Due from other funds	3,515	20,117	3,232	—	120	—
Due from other government	—	—	—	—	—	—
Prepaid expenses	—	—	—	—	—	—
Accounts receivable (net)	—	—	—	—	—	—
Total Assets	<u>\$ 50,890</u>	<u>\$ 89,866</u>	<u>\$ 193,926</u>	<u>\$ 66,937</u>	<u>\$ 88,007</u>	<u>\$ 3,178</u>
Liabilities Deferred Inflows and fund balances						
Liabilities						
Customer deposits	—	—	—	—	—	—
Vouchers payable	13,234	1,762	808	—	—	—
Due to other government	—	63,998	—	—	—	—
Due to other funds	1,463	20,946	—	—	—	—
Total liabilities	<u>14,697</u>	<u>86,706</u>	<u>808</u>	<u>—</u>	<u>—</u>	<u>—</u>
Deferred Inflows	<u>—</u>	<u>3,160</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Deferred Inflows	<u>—</u>	<u>3,160</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances						
Nonspendable	—	—	—	—	—	—
Restricted	—	—	193,118	15,677	88,007	3,178
Assigned	36,193	—	—	51,260	—	—
Total fund balances	<u>36,193</u>	<u>—</u>	<u>193,118</u>	<u>66,937</u>	<u>88,007</u>	<u>3,178</u>
Total liabilities Deferred Inflows and Fund balances	<u>\$ 50,890</u>	<u>\$ 89,866</u>	<u>\$ 193,926</u>	<u>\$ 66,937</u>	<u>\$ 88,007</u>	<u>\$ 3,178</u>

(Continued)

**FRANKLIN COUNTY, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Continued)
SEPTEMBER 30, 2019**

	<u>Special Revenue</u>				<u>Total Nonmajor Governmental Funds</u>
	<u>Boating Improvement</u>	<u>Local Option Gas Tax</u>	<u>Economic Development CDBG</u>	<u>Housing Initiative Partnership</u>	
Assets					
Cash and cash equivalents	\$ 16,732	\$ 1,068,119	\$ 12,851	\$ 312,002	\$ 3,392,020
Equity in pooled cash	—	404,480	285,330	35,646	1,180,095
Due from other funds	768	—	—	—	109,589
Due from other government	24,024	145,501	—	—	949,567
Prepaid expenses	—	—	—	—	24,006
Accounts receivable (net)	—	—	327,900	359,849	695,337
Total Assets	<u>\$ 41,524</u>	<u>\$ 1,618,100</u>	<u>\$ 626,081</u>	<u>\$ 707,497</u>	<u>\$ 6,350,614</u>
Liabilities Deferred Inflows and Fund Balances					
Liabilities					
Customer deposits	—	—	—	—	—
Vouchers payable	—	61,273	—	1,200	330,867
Due to other government	—	—	—	—	67,748
Due to other funds	—	—	—	—	160,565
Total liabilities	<u>—</u>	<u>61,273</u>	<u>—</u>	<u>1,200</u>	<u>559,180</u>
Deferred Inflows	<u>—</u>	<u>—</u>	<u>327,900</u>	<u>668,085</u>	<u>999,145</u>
Total Deferred Inflows	<u>—</u>	<u>—</u>	<u>327,900</u>	<u>668,085</u>	<u>999,145</u>
Fund balances					
Nonspendable	—	—	—	—	24,006
Restricted	41,524	1,556,827	298,181	38,212	4,680,830
Assigned	—	—	—	—	87,453
Total fund balances	<u>41,524</u>	<u>1,556,827</u>	<u>298,181</u>	<u>38,212</u>	<u>4,792,289</u>
Total liabilities Deferred Inflows and Fund balances	<u>\$ 41,524</u>	<u>\$ 1,618,100</u>	<u>\$ 626,081</u>	<u>\$ 707,497</u>	<u>\$ 6,350,614</u>

**FRANKLIN COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

	<u>Special Revenue</u>				
	<u>County Road and Bridge</u>	<u>911 Trust</u>	<u>Fire Protection</u>	<u>Airport</u>	<u>Tourist Development</u>
Revenues					
Taxes	\$ 13,496	\$ —	\$ —	\$ —	\$ 1,401,732
Licenses and permits	—	—	499,628	—	—
Intergovernmental	1,683,934	160,773	—	751,104	—
Fines and forfeitures	—	—	—	—	—
Charges for services	—	—	—	110,802	—
Investment earnings and other	<u>95,683</u>	<u>969</u>	<u>3,068</u>	<u>205</u>	<u>177,384</u>
Total Revenues	<u>\$ 1,793,113</u>	<u>\$ 161,742</u>	<u>\$ 502,696</u>	<u>\$ 862,111</u>	<u>\$ 1,579,116</u>
Expenditures					
Current					
General government	—	—	—	—	—
Public safety	—	74,588	502,696	—	—
Physical environment	—	—	—	—	—
Economic environment	—	—	—	—	1,076,882
Transportation	1,520,315	—	—	669,864	—
Court related	—	—	—	—	—
Human services	—	—	—	—	—
Capital outlay	587,512	26,751	—	157,702	8,442
Debt service	<u>141,405</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>260,000</u>
Total expenditures	<u>2,249,232</u>	<u>101,339</u>	<u>502,696</u>	<u>827,566</u>	<u>1,345,324</u>
Excess (deficit) of revenues over (under) expenditures	<u>(456,119)</u>	<u>60,403</u>	<u>—</u>	<u>34,545</u>	<u>233,792</u>
Other financing sources (uses)					
Transfers in	—	—	—	—	—
Transfers out	—	(54,386)	—	—	(87,000)
Proceeds from debt	481,594	—	—	—	—
Reversion to State	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing sources (uses)	<u>481,594</u>	<u>(54,386)</u>	<u>—</u>	<u>—</u>	<u>(87,000)</u>
Net change in fund balances	25,475	6,017	—	34,545	146,792
Fund balances - beginning	<u>660,528</u>	<u>415,431</u>	<u>—</u>	<u>54,339</u>	<u>1,126,985</u>
Fund balances - ending	<u>\$ 686,003</u>	<u>\$ 421,448</u>	<u>\$ —</u>	<u>\$ 88,884</u>	<u>\$ 1,273,777</u>

(Continued)

FRANKLIN COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Continued)
SEPTEMBER 30, 2019

	<u>Special Revenue</u>					
	<u>Mosquito Control</u>	<u>Clerk's Fine and Forfeitures</u>	<u>Clerk Modernization Trust</u>	<u>Sheriff's Special Revenue</u>	<u>Enforcement Educational Trust</u>	<u>Law Enforcement Trust</u>
Revenues						
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Licenses and permits	—	—	—	—	—	—
Intergovernmental	34,481	424,322	—	—	—	—
Fines and forfeitures	—	65,681	—	—	—	—
Charges for services	—	128,465	34,979	76,632	1,795	—
Investment earnings & other	20,787	77	276	—	87	3
Total Revenues	<u>\$ 55,268</u>	<u>\$ 618,545</u>	<u>\$ 35,255</u>	<u>\$ 76,632</u>	<u>\$ 1,882</u>	<u>\$ 3</u>
Expenditures						
Current						
General government	—	—	1,857	—	—	—
Public safety	—	—	—	50,456	—	—
Physical environment	—	—	—	—	—	—
Economic Environment	—	—	—	—	—	—
Transportation	—	—	—	—	—	—
Court related	—	606,846	35,712	—	—	—
Human services	197,520	—	—	—	—	—
Capital outlay	17,332	—	—	—	—	—
Debt service	—	—	—	—	—	—
Total expenditures	<u>214,852</u>	<u>606,846</u>	<u>37,569</u>	<u>50,456</u>	<u>—</u>	<u>—</u>
Excess (deficit) of revenues over (under) expenditures	<u>(159,584)</u>	<u>11,699</u>	<u>(2,314)</u>	<u>26,176</u>	<u>1,882</u>	<u>3</u>
Other financing sources (uses)						
Transfers in	166,287	—	—	—	—	—
Transfers out	—	—	—	—	—	—
Proceeds from debt	—	—	—	—	—	—
Reversion to State	—	(11,699)	—	—	—	—
Total other financing sources (uses)	<u>166,287</u>	<u>(11,699)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balances	6,703	—	(2,314)	26,176	1,882	3
Fund balances - beginning	<u>29,490</u>	<u>—</u>	<u>195,432</u>	<u>40,761</u>	<u>86,125</u>	<u>3,175</u>
Fund balances - ending	<u>\$ 36,193</u>	<u>\$ —</u>	<u>\$ 193,118</u>	<u>\$ 66,937</u>	<u>\$ 88,007</u>	<u>\$ 3,178</u>

(Continued)

FRANKLIN COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	<u>Special Revenue</u>				<u>Total Nonmajor Governmental Funds</u>
	<u>Boating Improvement</u>	<u>Local Option Gas Tax</u>	<u>Economic Development CDBG</u>	<u>Housing Initiative Partnership</u>	
Revenues					
Taxes	\$ —	307,968	\$ —	\$ —	\$ 1,723,196
Licenses and permits	—	—	—	—	499,628
Intergovernmental	40,654	340,040	—	437,920	3,873,228
Fines and forfeitures	—	—	—	—	65,681
Charges for services	—	—	—	—	352,673
Investment earnings and other	24	12,026	7,110	12,769	330,468
Total Revenues	<u>\$ 40,678</u>	<u>\$ 660,034</u>	<u>\$ 7,110</u>	<u>\$ 450,689</u>	<u>\$ 6,844,874</u>
Expenditures					
Current					
General government	—	—	—	—	1,857
Public safety	—	—	—	—	627,740
Physical environment	3,900	—	—	—	3,900
Economic environment	—	—	—	459,059	1,535,941
Transportation	—	387,186	—	—	2,577,365
Court related	—	—	—	—	642,558
Human services	—	—	—	—	197,520
Capital outlay	24,024	72,766	—	—	894,529
Debt service	—	—	—	—	401,405
Total expenditures	<u>27,924</u>	<u>459,952</u>	<u>—</u>	<u>459,059</u>	<u>6,882,815</u>
Excess (deficit) of revenues over (under) expenditures	<u>12,754</u>	<u>200,082</u>	<u>7,110</u>	<u>(8,370)</u>	<u>(37,941)</u>
Other financing sources (uses)					
Transfers in	—	—	—	—	166,287
Transfers out	—	—	—	—	(141,386)
Proceeds from debt	—	—	—	—	481,594
Reversion to state	—	—	—	—	(11,699)
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>494,796</u>
Net change in fund balances	12,754	200,082	7,110	(8,370)	456,855
Fund balances - beginning	<u>28,770</u>	<u>1,356,745</u>	<u>291,071</u>	<u>46,582</u>	<u>4,335,434</u>
Fund balances - ending	<u>\$ 41,524</u>	<u>\$ 1,556,827</u>	<u>\$ 298,181</u>	<u>\$ 38,212</u>	<u>\$ 4,792,289</u>

**FRANKLIN COUNTY, FLORIDA
 COMBINING BALANCE SHEET
 AGENCY FUNDS
 SEPTEMBER 30, 2019**

	<u>Agency Funds Clerk</u>			
	<u>Jury</u>	<u>Trust Funds</u>	<u>Registry of Court</u>	<u>Child Support</u>
Assets				
Cash and cash equivalents	\$ —	\$ 47,403	\$ 192,759	\$ 420
Total Assets	<u>\$ —</u>	<u>\$ 47,403</u>	<u>\$ 192,759</u>	<u>\$ 420</u>
Liabilities				
Due to individuals	—	110	192,759	345
Due to other funds	—	25,625	—	36
Due to Board of County Commissioners	—	5,888	—	—
Due to other governments	—	15,780	—	39
Total Liabilities	<u>\$ —</u>	<u>\$ 47,403</u>	<u>\$ 192,759</u>	<u>\$ 420</u>

(continued)

**FRANKLIN COUNTY, FLORIDA
 COMBINING BALANCE SHEET
 AGENCY FUNDS (Continued)
 SEPTEMBER 30, 2019**

	<u>Agency Funds – Sheriff</u>		<u>Agency Funds – Tax Collector</u>		<u>Total</u>
	<u>Bonds</u>	<u>Inmate Trust</u>	<u>Tax</u>	<u>Tag Agency</u>	
Assets					
Cash and cash equivalents	\$ 204,752	\$ 10,981	\$ 504,369	\$ 6,009	\$ 966,693
Total Assets	\$ 204,752	\$ 10,981	\$ 504,369	\$ 6,009	\$ 966,693
Liabilities					
Due to individuals	204,752	10,981	6,009	—	414,956
Due to other funds	—	—	—	—	25,661
Due to Board of County Commissioners	—	—	—	—	5,888
Due to other governments	—	—	498,360	6,009	520,188
Total Liabilities	\$ 204,752	\$ 10,981	\$ 504,369	\$ 6,009	\$ 966,693

COMPLIANCE SECTION

Vance CPA, LLC

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

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

We have examined Franklin County, Florida's (the County) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds and Section 365.172(10) and 365.173(2)(d), Florida Statutes, regarding emergency communications number E911 system fund during the year ended September 30, 2019. Management is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

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

In our opinion, the County complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.

Vance CPA LLC

Vance CPA LLC

June 26, 2020

Vance CPA LLC

Certified Public Accountant

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INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of each major fund and the aggregate remaining fund information of Franklin, County, Florida, Board of County Commissioners, (hereinafter referred to as the "Board"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated June 26, 2020.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards (Uniform Guidance)* and *Chapter 10.550 Rules of the Florida Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control Over financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance, Schedule of Findings and Responses and Independent Auditors' Report on Examination of Compliance Requirements in Accordance with Chapter 10.550, *Rules of Auditor General*. Disclosures in those reports, which are dated June 26, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in

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

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 219.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Franklin County, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c., and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the County's financial condition, and our financial condition assessments as based in part on representations made by management and the review of financial information provided by same.

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

Annual Financial Report

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, requires that we determine whether the annual financial report for Franklin County, Florida for the fiscal year ended September 30, 2019, 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, 2019. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

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

Purpose of this Letter

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

Vance CPA LLC

Vance CPA LLC
June 26, 2020

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Franklin County, Florida, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Franklin County Florida's basic financial statements and have issued our report thereon dated June 26, 2020.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses. (2019-001 through 2019-007)

Compliance and Other Matters

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

Franklin County Florida's Response to Findings

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

Purpose of this Report

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

Vance CPA LLC

Vance CPA LLC
June 26, 2020

Vance CPA LLC

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

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

Report on Compliance for Each Major Federal and State Program

We have audited Franklin County, Florida's (the County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the Florida Department of Financial Services *State Projects Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs and state projects for the year ended September 30, 2019. The County's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program and State Project

In our opinion, Franklin County, Florida complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2019.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintain effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify all deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Franklin County, Florida, as of and for the year ended September 30, 2019, and the notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 26, 2020, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for the purposes of additional analysis as required by the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and State Financial Assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

Vance CPA LLC

Vance CPA LLC
June 26, 2020

**FRANKLIN COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2019**

Federal Awards Program	CFDA #	Contract/Grant Number	Expenditures
U S Department of Housing & Urban Development			
<i>Passed through Florida Department of Economic Opportunity</i>			
CDBG Housing Grant	14.228	16DB-OK-02-29-01-H08	<u>387,637</u>
Total US Department Housing & Urban Development			<u>387,637</u>
U S Department of Transportation			
<i>Passed through Florida Department of Transportation</i>			
FAA Update Airport Master Plan	20.106	FAA 3-12-0001-009-2018	<u>51,944</u>
Total CFDA 20.106			<u>51,944</u>
LAP Bayshore Drive Sidewalk Project	20.205	43138825801	<u>4,381</u>
Total CFDA 20.205			<u>4,381</u>
Total US Department of Transportation			<u>56,325</u>
U S Election Assistance Commission			
<i>Passed through Florida Department of State</i>			
HAVA Voting Systems Assistance Grant	90.401	E2311	<u>16,157</u>
Total US Assistance Commission			<u>16,157</u>
U S Health & Human Services			
<i>Passed through Florida Department of Health</i>			
HRS Service of Process 2018-2019	93.563	CST-19	739
Title IV-D CSE	93.563	Operational 001.331-650	<u>49,851</u>
Total CFDA 93.563			<u>50,590</u>
Small Rural Hospital Improvement Grant	93.301	H3HRH0047-17	<u>9,465</u>
Total US Department of Health & Human Services			<u>60,055</u>
U S Department of Homeland Security			
<i>Passed through Florida Div. of Emergency Mgmt – Disaster Grants – Public Assistance</i>			
FEMA 04-FL-4068 PW591 – Relocate Gulf Shore Blvd	97.036	PA-04-FL-4068-PW-591	139,180
FEMA PA-04-FL-4280-PW00461(364) Alligator Drive Hermine	97.036	17-PA-W1-02-29-02-106	110,025
FEMA PA-04-FL-4280-PW00484(0) Alligator Drive Traffic Control	97.036	17-PA-W1-02-29-02-106	24,052
FEMA Hurricane Hermine – Small Project Cat G Repairs	97.036	17-PA-W1-02-29-02-106	39,557
FEMA Hurricane Hermine – Road Repairs Cat C	97.036	17-PA-W1-02-29-02-106	8,566
FEMA– Tropical Storm Debby	97.036	13-DB-73-02-29-02-557	78,411
FEMA 1595 DR-FL- Hurricane Dennis	97.036	06-DN-@G02-29-01-588	55,153
FEMA 1595 DR-FL- Hurricane Dennis	97.036	06-DN-@G02-29-01-588	281
FEMA Hurricane Irma – Disaster Response	97.036	PA-04-FL-4337-PW-00589	11,231
FEMA Hurricane Irma – Disaster Response	97.036	PA-04-FL-4337-PW-00589	40,707
FEMA Hurricane Michael	97.036	PA-04-FL-4399-PW-00205	276,463
FEMA Hurricane Michael	97.036	PA-04-FL-4399-PW-00205	24,916
FEMA Hurricane Michael	97.036	PA-04-FL-4399-PW-00205	<u>3,900</u>
Total CFDA 97.036			<u>812,422</u>

**FRANKLIN COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2019**

Federal Awards Program	CFDA #	Contract/Grant Number	Expenditures
Emergency Management Performance Grant	97.042	19-FG-7A-02-29-01-175	53,599
FEMA CERT Grant	97.042	18/19	<u>5,000</u>
Total CFDA 97.042			<u>58,599</u>
Total US Department of Homeland Security			<u>871,042</u>
U S Office of the Attorney General			
Victims of Crime Act	16.575	VOLA-2018 FRANKLIN	<u>7,046</u>
Total US Office of the Attorney General			<u>7,046</u>
Total Expenditure of Federal Awards			<u>\$ 1,398,262</u>

**FRANKLIN COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2019**

State Financial Assistance Projects	CSFA #	Contract/Grant Number	Expenditures
Florida Executive Office of the Governor – Division of Emergency Management			
Emergency Mgmt Preparedness Grant EMPA	31.063	19-BG-21-02-29-01-086	100,438
Emergency Mgmt Preparedness Grant EMPA	31.063	A0054	5,652
FEMA Hurricane Hermine – Small Project Cat G	31.063	17-PA-W1-02-29-02-106	6,593
FEMA Hurricane Hermine – Cat C Road Repairs	31.063	17-PA-W1-02-29-02-106	1,434
FEMA Hurricane Michael	31.063	PA-04-FL-4399-PW-00205	13,160
FEMA Hurricane Michael	31.063	PA-04-FL-4399-PW-00205	4,153
FEMA Hurricane Michael	31.063	PA-04-FL-4399-PW-00205	650
FEMA Hurricane Hermine Alligator Dr Traffic	31.063	PA-04-FL-4280-PW-0048(0)	6,013
FEMA Hurricane Hermine Alligator Dr	31.063	PA-04-FL-4280-PW-00461(364)	18,337
FEMA-4068-DR-FL PW 591 Gulf Shore Blvd	31.063	PA-04-FL-4068-PW-00591(0)	<u>23,197</u>
Total CSFA 31.063			<u>179,626</u>
Total Florida Executive Office of the Governor			<u>179,626</u>
Florida Department of Environmental Protection			
Consolidated Solid Waste Management Grant	37.012	SC908	<u>85,736</u>
Total Department of Environmental Protection			<u>85,736</u>
Florida Housing Finance Agency			
State Housing Initiatives Partnership (SHIP)	40.901	2017-2018	254,080
State Housing Initiatives Partnership (SHIP)	40.901	2018/2019 + Disaster Funds	<u>183,839</u>
Total Florida Housing Finance Agency			<u>437,920</u>
Florida Department of Agriculture			
Mosquito Control – State 1	42.003	FDACS #025597	<u>34,481</u>
Total CSFA 42.003			<u>34,481</u>
FDACS ANERR Renovation Grant	42.047	FDACS #024662	<u>25,934</u>
Total CSFA 42.047			<u>25,934</u>
Total Department of Agriculture			<u>60,415</u>
Florida Department of State			
State Aid to Libraries	45.030	19-ST-93	<u>66,121</u>
Total Florida Department of State			<u>66,121</u>

**FRANKLIN COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE (continued)
YEAR ENDED SEPTEMBER 30, 2019**

State Financial Assistance Projects	CFDA #	Contract/Grant Number	Expenditures
Florida Department of Transportation			
Airport Stormwater Sewer Improvements	55.004	41604769401 ARG99	143,522
Airport Pavement Markings Grant	55.004	41604769401 G0W58	223,773
Airport Pavement Markings Grant	55.004	42561339401 G0V78	286,075
Airport Economic Development Grant	55.004	42561349401 G0D66	11,990
Airport Master Plan Update	55.004	41604739401 G1695	11,099
Airport Construct North/South Taxiway	55.004	42071749401 ARB18	22,700
Total CSFA 55.004			<u>699,160</u>
CIGP – Widen & Resurface Project	55.009	44064413401 G0Z63	319,116
Total CSFA 55.009			<u>319,116</u>
SCRAP-C30A Widening & Resurfacing Project	55.016	44062123401 G1677	16,374
Total CSFA 55.016			<u>16,374</u>
Total Florida Department of Transportation			<u>1,034,650</u>
Florida Department of Management Services			
E911 System Maintenance Grant	72.001	18-04-08	20,484
E911 System Maintenance Grant	72.001	19-04-07	6,971
Total CSFA 72.001			<u>27,455</u>
Total Department of Management Services			<u>27,455</u>
Florida Fish & Wildlife Conservation Comm			
FWC Derelict Vessel Removal Grant	77.005	FWC Agreement #17358	3,900
FWC FBIP Design Improvements			
Old Ferry Dock	77.005	FWC Agreement #17202	24,024
Total CSFA 77.005			<u>27,924</u>
Total Department of Management Services			<u>27,924</u>
Florida Department of Health			
Florida Emergency Medical Services	64.005	C7019	1,191
Total CSFA 64.05			<u>1,191</u>
Total Department of Management Services			<u>1,191</u>
Total Expenditure of State Financial Assistance			<u>\$ 1,921,038</u>

**FRANKLIN COUNTY, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2019**

Note 1 – Basis of Accounting

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

Note 2 – Reporting Entity

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

Note 3 – Pass-Through Awards

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

**FRANKLIN COUNTY, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2019**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs: Unmodified

Material weakness(es) identified? Yes No

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

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

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

Identified major programs:

<u>CFDA/CSFA Number</u>	<u>Name of Federal Award/State Financial Assistance Project</u>
97.036	Disaster Grants – Public Assistance
40.901	State Housing Initiatives Partnership
55.004	Airport Improvements
55.009	SCOP – CR67 Widening Project

**FRANKLIN COUNTY, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES (continued)
YEAR ENDED SEPTEMBER 30, 2019**

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

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

Auditee qualified as low-risk auditee?

X yes none

Section II – Financial Statement Findings

See Summary Schedule of Current Year Findings

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

No findings or questioned costs in the current year.

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

No findings or questioned costs in the current year.

Section V – Other Issues

No Corrective Action Plan is required.

**FRANKLIN COUNTY, FLORIDA
SUMMARY SCHEDULE OF CURRENT YEAR AUDIT FINDINGS
SEPTEMBER 30, 2019**

2019-001 Accrual Basis Accounting (Repeat)

Hospital

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 cash, accounts receivable and related reserves, prepaid expenses, other assets, accounts payable, other liabilities, estimated third-party payer settlements, property, plan 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: Internal processes and controls were not sufficient (either nonexistent or ineffective) to detect material misstatements of the financial statements. The high level of management and accounting staff turnover during and just before fiscal 2019 was a contributing factor.

Effect: Material misstatement of the financial statements (before auditor adjustments).

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: The Chief Financial Officer (CFO) will reconcile balance sheet accounts monthly. This was due to a lack of training and experience with the current Electronic Medical Records Provider. Staff turnover was a factor.

2019-002 Inventory (Repeat)

Hospital

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.

Condition: Though physical inventory counts were conducted at fiscal year-end, various valuation issues were noted. These included instances of items valued by the unit when they should have been valued by the box as well as instances in which the pricing used for valuation did not reflect the lower of cost or market.

Cause: Pricing and unit measure information within the Hospital's inventory tracking system is not being updated or is being updated incorrectly.

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

**FRANKLIN COUNTY, FLORIDA
SUMMARY SCHEDULE OF CURRENT YEAR AUDIT FINDINGS
SEPTEMBER 30, 2019**

Recommendation: Management should implement new processes and controls surrounding inventory ordering, receiving and tracking such that item costs within the Hospital's inventory tracking software are updated regularly, as items are ordered, using the appropriate unit measures.

Views of Responsible Officials and Planned Corrective Actions: The CFO will meet with purchasing director on a monthly basis to examine inventory quantity reports and review the hospital inventory system.

2019-003 Accounting & Finance Staffing (Repeat)

Hospital

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 and Cause: Processes and controls in place in fiscal 2019 were not sufficient to maintain effective internal control over financial reporting which resulted in the other findings described within this schedule.

Effect: The effect of this finding is reflected in the effects of findings 2018-001, 2018-002 and 2019-001 through 2019-004.

Recommendation: The Hospital should invest in the hiring of 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.

Views of Responsible Officials and Planned Corrective Actions: Management will identify options to enhance separations of duties by finance staff.

2019-004 Reconciliation of Cash and Posting of Receipts and Payroll Expense

Hospital

Criteria: Internal controls should be in place to ensure that all cash transactions are properly and timely recorded by the Hospital.

Condition and Cause and Effect: Audit entries were required to adjust accounts, most notably cash and payroll expense. In addition, we noted significant balances of unmatched cash receipts, primarily related to patient accounts receivable. Such amounts generally result when a cash payment is received from a third party insurer on a patient's behalf but has not yet been posted to the patient's balance on the accounts receivable subledger – often due to insufficient or pending remittance information accompanying the payment.

Recommendation: Bank reconciliations should be prepared and reviewed on a regular basis for all accounts, regardless of significance, and any identified variances or differences should be investigated and resolved in a timely manner. Cash receipts related to patient accounts should be matched and posted to the appropriate accounts receivable subledger upon receipt, or, if remittance information is not sufficient to enable account identification, investigated and resolved in as timely a manner as possible.

**FRANKLIN COUNTY, FLORIDA
SUMMARY SCHEDULE OF CURRENT YEAR AUDIT FINDINGS
SEPTEMBER 30, 2019**

Views of Responsible Officials and Planned Corrective Actions: The CFO has identified the proper payroll reports to reconcile bank statements on a monthly basis.

2019-005 Accounts Receivable, Revenue and Reserves for Uncollectible Accounts
Hospital

Criteria: Generally accepted accounting principles require a provision for uncollectible accounts receivables based on management’s assessment of collectability.

Condition and Effect: Accounts receivable on the unadjusted ledger was overstated. In addition, large balances of unmatched AR receipts were noted, as discussed in finding 2019-001 above. Audit entries were required to adjust accounts receivable and increase the reserves, reducing net AR by a material amount. In addition, other audit adjustments were required to adjust the components of net revenue – gross revenue, contractual and other allowances and the provision for bad debt.

Recommendation: The Hospital should prepare reconciliations of all gross accounts receivable to underlying details as part of each month-end close, and as previously noted in 2019-004, cash receipts related to patient accounts should be matched and posted to the appropriate accounts receivable subledger upon receipt or, if remittance information is not sufficient to enable account identification, investigated and resolved in as timely a manner as possible. The Hospital should routinely monitor its collections percentages through the use of a “lookback analysis” or comparable information using a sufficiently long (yet current) look back period to determine an appropriate reserving methodology that addresses the constantly evolving nature of the payer mix and adequately reserves receivables to their estimated net realizable value. Manual entries to accounts receivable, reserves, and/or net patient revenue, once prepared, should be reviewed by management for appropriateness and proper posting.

Views of Responsible Officials and Planned Corrective: The CFO will set up a structure for Account Payables. The CFO and Franklin County Finance Department will communicate asset dispositions.

2019-006 Capital Assets and Depreciation
Hospital

Criteria: Generally accepted accounting principles require the Hospital to report the cost of capital assets and accumulated depreciation by asset class and annual depreciation by function.

Condition and Effect: We noted variances between the Hospital’s capital asset registers and general ledger, and various capital assets that were not recorded, or incorrectly recorded. As a result, adjusting entries were required to record certain capital asset additions, remove assets no longer capitalized, and adjust yearly depreciation expense totals.

Recommendation: We recommend the Hospital implement appropriate measures to ensure that all capital assets are captured and appropriately classified, maintained, and depreciated on the capital asset register, and that the capital asset register is reconciled to the general ledger on a regular basis and any differences that are identified are followed up on and resolved.

**FRANKLIN COUNTY, FLORIDA
SUMMARY SCHEDULE OF CURRENT YEAR AUDIT FINDINGS
SEPTEMBER 30, 2019**

Views of Responsible Officials and Planned Corrective: The CFO will set up a structure for Account Payables. The CFO and Franklin County Finance Department will communicate asset dispositions.

**2019-007 Recording of Audit Adjustments/Reconciliation of Net Position
Hospital**

Criteria: Audit adjustments should be recorded by the Hospital to the general ledger in the relevant accounting period such that net position, post-close, at the end of each period reconciles to the net position per audited financial statements.

Condition: We noted that certain fiscal year 2018 audit entries were not appropriately recorded in fiscal 2018 and/or reflected in the opening equity balance of fiscal year 2019. As a result, the unadjusted balance of net position at September 30, 2019 was misstated by the net effect of these entries.

Recommendation: The Hospital should implement a process to ensure that all audit entries are properly posted to the general ledger in the correct period and that net position balances for each year, post-close, reconcile to the audited financial statements.

Views of Responsible Officials and Planned Corrective: The CFO will present post audit adjustments financial statements to CEO for approval.

**FRANKLIN COUNTY, FLORIDA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
SEPTEMBER 30, 2019**

2018-001 Inadequate Design of Internal Control

Resolved

2018-002 Segregation of Duties

Resolved

2018-003 Significant Audit Adjustments

Resolved

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

**Special-Purpose
Financial Statements
September 30, 2019**

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E • Apalachicola, FL 32320
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**FRANKLIN COUNTY, FLORIDA
CLERK OF THE CIRCUIT COURT
SEPTEMBER 30, 2019**

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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, 2019, 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, 2019, 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, 2019, 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 25, 2020 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 25, 2020

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

**SPECIAL-PURPOSE BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

	<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	\$ 61,820	\$ 69,749	\$ 190,694	\$ 322,263
Due from other funds	29,704	20,117	3,232	53,053
Due from other governmental units	16,105	—	—	16,105
Prepays	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Assets	<u>107,629</u>	<u>89,866</u>	<u>193,926</u>	<u>391,421</u>
Liabilities Deferred Inflows and Fund Balances:				
Deferred Inflows				
Jury funding	<u>—</u>	<u>3,160</u>	<u>—</u>	<u>3,160</u>
Total Deferred Inflows	<u>—</u>	<u>3,160</u>	<u>—</u>	<u>3,160</u>
Liabilities				
Accounts payable	8,139	1,762	808	10,709
Due to other funds	75,630	20,946	—	96,576
Due to other governmental units	—	63,998	—	63,998
Due to Board of County Commissioners	<u>1,625</u>	<u>—</u>	<u>—</u>	<u>1,625</u>
Total Liabilities	<u>85,394</u>	<u>86,706</u>	<u>808</u>	<u>172,908</u>
Fund Balance:				
Restricted	<u>22,235</u>	<u>—</u>	<u>193,118</u>	<u>215,353</u>
Total Liabilities Deferred Inflows and Fund Balances	<u>\$ 107,629</u>	<u>\$ 89,866</u>	<u>\$ 193,926</u>	<u>\$ 391,421</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, 2019

	<u>General Fund</u>	<u>Fines and Forfeitures Fund</u>	<u>Modernization Trust Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Charges for services	\$ 79,608	\$ 128,465	\$ 34,979	\$ 243,052
Intergovernmental revenue	49,851	424,323	—	474,174
Investment income	130	77	276	483
Fines and Forfeitures	—	65,680	—	65,680
Total revenues	<u>129,589</u>	<u>618,545</u>	<u>35,255</u>	<u>783,389</u>
Expenditures:				
General government				
Current				
Personal services	376,395	—	—	376,395
Operating expenditures	58,414	—	1,857	60,271
Capital outlay	—	—	—	—
Court-related				
Current				
Personal services	32,797	585,373	—	618,170
Operating expenditures	533	21,473	35,712	57,718
Capital outlay	—	—	—	—
Total expenditures	<u>468,139</u>	<u>606,846</u>	<u>37,569</u>	<u>1,112,554</u>
Excess (deficit) of revenues over (Under) Expenditures	(338,550)	11,699	(2,314)	(329,165)
Other financing sources (uses)				
Transfers from Board of County Commissioners	430,689	—	—	430,689
Transfers to Board of County Commissioners	(72,309)	—	—	(72,309)
Reversion to State of Florida	—	(11,699)	—	(11,699)
Total other financing Sources (uses)	<u>358,380</u>	<u>(11,699)</u>	<u>—</u>	<u>346,681</u>
Net change in fund balances	19,830	—	(2,314)	17,516
Fund balances - beginning	<u>2,405</u>	<u>—</u>	<u>195,432</u>	<u>197,837</u>
Fund balance - ending	<u>\$ 22,235</u>	<u>\$ —</u>	<u>\$ 193,118</u>	<u>\$ 215,353</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, 2019

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Budget Positive</u>
				<u>(Negative)</u>
Revenues:				
Charges for services	\$ 92,900	\$ 92,900	\$ 79,608	\$ (13,292)
Intergovernmental revenue	49,000	49,000	49,851	851
Interest income	150	150	130	(20)
Total revenues	<u>142,050</u>	<u>142,050</u>	<u>129,589</u>	<u>(12,461)</u>
Expenditures:				
General Government				
Current				
Personal services	468,399	468,399	376,395	92,004
Operating expenditures	61,024	61,024	58,414	2,610
Capital outlay	—	—	—	—
Court-related				
Current				
Personal services	31,069	31,069	32,797	(1,728)
Operating expenditures	14,500	14,500	533	13,967
Capital outlay	3,431	3,431	—	3,431
Total expenditures	<u>578,423</u>	<u>578,423</u>	<u>468,139</u>	<u>110,284</u>
Excess (deficit) of revenues over (under) expenditures	<u>(436,373)</u>	<u>(436,373)</u>	<u>(338,550)</u>	<u>97,823</u>
Other financing				
sources (uses)				
Transfers from Board of County Commissioners	436,373	436,373	430,689	(5,684)
Transfers to Board of County Commissioners	—	—	(72,309)	(72,309)
Total other financing Sources (uses)	<u>436,373</u>	<u>436,373</u>	<u>358,380</u>	<u>(77,993)</u>
Net change in fund balances	—	—	19,830	19,830
Fund balances - beginning	—	—	2,405	2,405
Fund balances - ending	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 22,235</u>	<u>\$ 22,235</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, 2019

	<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	\$ 422,596	\$ 426,571	\$ 424,323	\$ (2,248)
Investment Income	125	125	77	(48)
Charges for services	118,895	118,895	128,465	9,570
Fines and forfeitures	<u>63,500</u>	<u>63,500</u>	<u>65,680</u>	<u>2,180</u>
Total revenues	<u>605,116</u>	<u>609,091</u>	<u>618,545</u>	<u>9,454</u>
Expenditures:				
Court-related				
Current				
Personal services	571,399	575,374	585,373	(9,999)
Operating expenditures	33,717	33,717	21,473	12,244
Capital outlay	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>605,116</u>	<u>609,091</u>	<u>606,846</u>	<u>2,245</u>
Excess (deficit) of revenues over (under) expenditures	<u>—</u>	<u>—</u>	<u>11,699</u>	<u>11,699</u>
Other financing sources (uses)				
Reversion to State of Florida	<u>—</u>	<u>—</u>	<u>(11,699)</u>	<u>(11,699)</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, 2019

	<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	\$ 34,979	\$ (3,021)
Investment income	<u>300</u>	<u>300</u>	<u>276</u>	<u>(24)</u>
Total revenues	<u>38,300</u>	<u>38,300</u>	<u>35,255</u>	<u>(3,045)</u>
Expenditures:				
General government				
Current				
Operating expenditures	40,000	40,000	1,857	38,143
Capital outlay	68,475	68,475	—	68,475
Court-related				
Current				
Operating expenditures	31,000	31,000	35,712	(4,712)
Capital outlay	<u>86,825</u>	<u>86,825</u>	<u>—</u>	<u>86,825</u>
Total expenditures	<u>226,300</u>	<u>226,300</u>	<u>37,569</u>	<u>188,731</u>
Excess (deficit) of revenues over (under) expenditures	<u>(188,000)</u>	<u>(188,000)</u>	<u>(2,314)</u>	<u>185,686</u>
Net change in fund balances	<u>(188,000)</u>	<u>(188,000)</u>	<u>(2,314)</u>	<u>185,686</u>
Fund balances - beginning	<u>195,432</u>	<u>195,432</u>	<u>195,432</u>	<u>—</u>
Fund balances - ending	<u>\$ 7,432</u>	<u>\$ 7,432</u>	<u>\$ 193,118</u>	<u>\$ 185,686</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, 2019

ASSETS

Cash and Cash Equivalents \$ 240,582

Total Assets **\$ 240,582**

LIABILITIES

Due to individuals 193,114

Due to other funds 25,761

Due to Board of County Commissioners 5,879

Due to other governments 15,828

Total Liabilities **\$ 240,582**

See accompanying notes to the basic financial statements

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

SEPTEMBER 30, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

NOTE 2 - CASH AND INVESTMENTS (continued)

The Clerk held no investments at September 30, 2019.

Interest Rate Risk

At September 30, 2019, the Clerk did not hold any investments that were considered to be an interest rate risk.

Credit Risk

At September 30, 2019 the Clerk did not hold any investments that were considered to be a credit risk.

Custodial Risk

At September 30, 2019 the Clerk did not hold any deposits or investments that were considered to be a custodial risk.

Concentration of Credit Risk

At September 30, 2019 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, 2019

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, 2019

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, 2019

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, 2019, 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, 2019

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, 2019, 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, 2019, 2018, and 2017 were \$90,894, \$85,298, and \$80,159 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, 2019

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>09/30/18</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>09/30/19</u>
Accumulated compensated absences	\$ <u>75,555</u>	\$ <u>—</u>	\$ <u>(4,773)</u>	\$ <u>70,782</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, 2019.

COMBINING FINANCIAL STATEMENTS

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

SEPTEMBER 30, 2019

	<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	\$ —	\$ 47,403	\$ 420	\$ 192,759	\$ 240,582
Total assets	<u>—</u>	<u>47,403</u>	<u>420</u>	<u>192,759</u>	<u>240,582</u>
Liabilities:					
Due to individuals	—	110	345	192,659	193,114
Due to other funds	—	25,625	36	100	25,761
Due to Board of County Commissioners	—	5,879	—	—	5,879
Due to other governments	<u>—</u>	<u>15,789</u>	<u>39</u>	<u>—</u>	<u>15,828</u>
Total Liabilities	<u>\$ —</u>	<u>\$ 47,403</u>	<u>\$ 420</u>	<u>\$ 192,759</u>	<u>\$ 240,582</u>

COMPLIANCE SECTION

Vance CPA, LLC

Certified Public Accountant

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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, 2019, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2020.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Florida Auditor General.

Other Reports

We have issued our Independent Auditors' Report on Internal Control Over financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on Examination of Compliance Requirements in Accordance with Chapter 10.550 Rules of Auditor General. Disclosures in those reports, which are dated June 25, 2020, 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 prior year 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 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 25, 2020

Vance CPA, LLC

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF 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, 2019, and the related notes to the special purpose financial statements, and have issued our report thereon dated June 25, 2020.

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 25, 2020

Vance CPA, LLC

Certified Public Accountant

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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, 2019.

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, 2019.

Vance CPA LLC

Vance CPA LLC

June 25, 2020

**Franklin County, Florida
Tax Collector**

**Special-Purpose
Financial Statements
September 30, 2019**

Vance CPA, LLC

Certified Public Accountant
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**FRANKLIN COUNTY, FLORIDA
TAX COLLECTOR
SEPTEMBER 30, 2019**

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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, 2019, 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, 2019, 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, 2019, 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 25, 2020 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 25, 2020

**FRANKLIN COUNTY, FLORIDA
TAX COLLECTOR**

**SPECIAL-PURPOSE BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 11,122
Accounts receivable	<u>—</u>
Total Assets	<u>11,122</u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Due to Board of County Commissioners	<u>11,122</u>
Total Liabilities	<u>11,122</u>
Fund Balance	<u>—</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 11,122</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, 2019

	<u>General Fund</u>
REVENUES	
Miscellaneous	\$ 2,690
Total Revenues	<u>2,690</u>
EXPENDITURES	
Current	
Personal services	510,653
Operating expenditures	<u>101,040</u>
Total Expenditures	<u>611,693</u>
Excess (deficit) of revenues over (under) expenditures	<u>(609,003)</u>
Other financing sources (uses)	
Transfers from Board of County Commissioners	620,125
Transfers to Board of County Commissioners	<u>(11,122)</u>
Total Other Financing Sources (Uses)	<u>609,003</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, 2019

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues	\$ —	\$ —	\$ 2,690	\$ 2,690
Expenditures:				
General Government				
Current				
Personal services	500,525	500,525	510,653	(10,128)
Operating expenditures	119,600	119,600	101,040	18,560
Capital outlay	—	—	—	—
Total expenditures	<u>620,125</u>	<u>620,125</u>	<u>611,693</u>	<u>8,432</u>
Excess (deficit) of revenues over (under) expenditures	<u>(620,125)</u>	<u>(620,125)</u>	<u>(609,003)</u>	<u>11,122</u>
Other financing sources (uses)				
Transfers from Board of County Commissioners	620,125	620,125	620,125	—
Transfers to Board of County Commissioners	—	—	(11,122)	(11,122)
Total other financing Sources (uses)	<u>620,125</u>	<u>620,125</u>	<u>609,003</u>	<u>(11,122)</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, 2019

ASSETS

Cash and Cash Equivalents	<u>\$ 510,378</u>
---------------------------	-------------------

LIABILITIES

Due to other governments	504,369
Escrow deposits	<u>6,009</u>
Total Liabilities	<u>\$ 510,378</u>

See accompanying notes to the basic financial statements

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

SEPTEMBER 30, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019.

Interest Rate Risk

At September 30, 2019, the Tax Collector did not hold any investments that were considered to be an interest rate risk.

Credit Risk

At September 30, 2019 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, 2019

NOTE 2 - CASH AND INVESTMENTS (continued)

Custodial Risk

At September 30, 2019 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, 2019 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, 2019

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, 2019

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, 2019

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, 2019

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, 2019, 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, 2019, 2018, and 2017 were \$71,835, \$68,800, and \$70,744 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, 2019

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, 2019

	<u>Taxes</u>	<u>Tag</u>	<u>Total Agency Funds</u>
Assets:			
Cash and cash equivalents	<u>\$ 504,369</u>	<u>\$ 6,009</u>	<u>\$ 510,378</u>
Liabilities:			
Due to other governments	498,360	6,009	504,369
Escrow deposits	<u>6,009</u>	<u>—</u>	<u>6,009</u>
Total Liabilities	<u>\$ 504,369</u>	<u>\$ 6,009</u>	<u>\$ 510,378</u>

COMPLIANCE SECTION

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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, 2019, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2020.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Florida Auditor General.

Other Reports

We have issued our Independent Auditors' Report on Internal Control Over financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on Examination of Compliance Requirements in Accordance with Chapter 10.550 Rules of Auditor General. Disclosures in those reports, which are dated June 25, 2020, 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 25, 2020

Vance CPA, LLC

Certified Public Accountant

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

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, 2019, and have issued our report thereon dated June 25, 2020, 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 25, 2020

Vance CPA, LLC

Certified Public Accountant

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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, 2019.

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, 2019.

Vance CPA LLC

Vance CPA LLC

June 25, 2020

**Franklin County, Florida
Property Appraiser**

**Special-Purpose
Financial Statements
September 30, 2019**

Vance CPA, LLC

Certified Public Accountant

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**FRANKLIN COUNTY, FLORIDA
PROPERTY APPRAISER
SEPTEMBER 30, 2019**

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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, 2019, 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, 2019, 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, 2019, 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 25, 2020 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 25, 2020

**FRANKLIN COUNTY, FLORIDA
PROPERTY APPRAISER**

**SPECIAL-PURPOSE BALANCE SHEET
GENERAL FUND**

SEPTEMBER 30, 2019

	<u>General Fund</u>
ASSETS	
Cash	<u>\$ 191</u>
Total Assets	<u> 191</u>
LIABILITIES AND FUND BALANCES	
Due to Board of County Commissioners	<u> 191</u>
Total Liabilities	<u> 191</u>
Fund Balances	<u> —</u>
TOTAL LIABILITIES AND FUND BALANCES	<u> 191</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, 2019

	<u>General Fund</u>
REVENUES	
Other Income	\$ —
Total Revenues	<u>—</u>
EXPENDITURES	
General government	
Current	
Personal services	530,279
Operating expenditures	<u>143,073</u>
Total Expenditures	<u>673,352</u>
Excess (deficit) of revenues over (under) expenditures	<u>(673,352)</u>
Other financing sources (uses)	
Transfers from Board of County Commissioners	673,543
Transfers to Board of County Commissioners	<u>(191)</u>
Total Other Financing Sources (Uses)	<u>673,352</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
PROPERTY APPRAISER**

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

YEAR ENDED SEPTEMBER 30, 2019

	<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	519,841	536,684	530,279	6,405
Operating expenditures	130,504	136,878	143,073	(6,195)
Capital outlay	—	—	—	—
Total expenditures	<u>650,345</u>	<u>673,562</u>	<u>673,352</u>	<u>210</u>
Excess (deficit) of revenues over (under) expenditures	<u>(650,345)</u>	<u>(673,562)</u>	<u>(673,352)</u>	<u>210</u>
Other financing sources (uses)				
Transfers from Board of County Commissioners	650,345	673,562	673,543	(19)
Transfers to Board of County Commissioners	—	—	(191)	(191)
Total other financing Sources (uses)	<u>650,345</u>	<u>673,562</u>	<u>673,352</u>	<u>(210)</u>
Net change in fund balances	—	—	—	—
Fund balances - beginning	—	—	—	—
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 - PROPERTY APPRAISER
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS**

SEPTEMBER 30, 2019

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, 2019

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, 2019

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, 2019

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 25, 2020, 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, 2019.

Interest Rate Risk

At September 30, 2019, the Property Appraiser did not hold any investments that were considered to be an interest rate risk.

Credit Risk

At September 30, 2019 the Property Appraiser did not hold any investments that were considered to be a credit risk.

Custodial Risk

At September 30, 2019 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, 2019

NOTE 2 - CASH AND INVESTMENTS (continued)

Concentration of Credit Risk

At September 30, 2019 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, 2019

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, 2019

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, 2019

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, 2019

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, 2019, 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, 2019, 2018, and 2017 were \$83,380, \$78,457, and \$69,981 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, 2019

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

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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, 2019, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2020.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Florida Auditor General.

Other Reports

We have issued our Independent Auditors' Report on Internal Control Over financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on Examination of Compliance Requirements in Accordance with Chapter 10.550 Rules of Auditor General. Disclosures in those reports, which are dated June 25, 2020, 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. Finding 2018-001 has been 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 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 25, 2020

Vance CPA, LLC

Certified Public Accountant

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

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, 2019, and the related notes to the special purpose financial statements, and have issued our report thereon dated June 25, 2020.

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 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 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*.

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 25, 2020

Vance CPA, LLC

Certified Public Accountant

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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, 2019.

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, 2019.

Vance CPA LLC

Vance CPA LLC

June 25, 2020

**Franklin County, Florida
Sheriff**

**Special-Purpose
Financial Statements
September 30, 2019**

Vance CPA LLC

Certified Public Accountant

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**FRANKLIN COUNTY SHERIFF
SEPTEMBER 30, 2019**

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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, 2019, 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, 2019, 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, 2019, 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 25, 2020 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 25, 2020

**FRANKLIN COUNTY, FLORIDA
SHERIFF**

**SPECIAL-PURPOSE BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

	<u>General Fund</u>	<u>Prisoner Welfare Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ —	\$ 51,260	\$ 15,677	\$ 66,937
Total Assets	<u>—</u>	<u>51,260</u>	<u>15,677</u>	<u>66,937</u>
Liabilities and fund balances:				
Liabilities				
Due to other funds	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund Balance:				
Restricted	—	—	15,677	15,677
Assigned	—	51,260	—	51,260
Unassigned	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total fund balances	<u>—</u>	<u>51,260</u>	<u>15,677</u>	<u>66,937</u>
Total Liabilities and Fund Balances	<u>\$ —</u>	<u>\$ 51,260</u>	<u>\$ 15,677</u>	<u>\$ 66,937</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, 2019

	<u>General Fund</u>	<u>Prisoner Welfare Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Intergovernmental	\$ 669,411	\$ —	\$ —	\$ 669,411
Miscellaneous	4,202	54,330	22,302	80,834
Total revenues	<u>673,613</u>	<u>54,330</u>	<u>22,302</u>	<u>750,245</u>
Expenditures:				
Public safety				
Law enforcement				
Current				
Personal services	3,004,108	—	—	3,004,108
Operating expenditures	1,374,911	—	18,248	1,393,159
Capital outlay	<u>231,466</u>	<u>—</u>	<u>—</u>	<u>231,466</u>
Total law enforcement	<u>4,610,485</u>	<u>—</u>	<u>18,248</u>	<u>4,628,733</u>
Corrections				
Current				
Personal services	1,106,935	—	—	1,106,935
Operating expenditures	574,690	32,208	—	606,898
Capital outlay	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total corrections	<u>1,681,625</u>	<u>32,208</u>	<u>—</u>	<u>1,713,833</u>
Total expenditures	<u>6,292,110</u>	<u>32,208</u>	<u>18,248</u>	<u>6,342,566</u>
Excess (deficit) of revenues over (Under) Expenditures	(5,618,497)	22,122	4,054	(5,592,321)
Other financing sources (uses)				
Loan proceeds	231,466	—	—	231,466
Transfers in	5,387,031	—	—	5,387,031
Transfers to Board of County Commissioners	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing Sources (uses)	<u>5,618,497</u>	<u>—</u>	<u>—</u>	<u>5,618,497</u>
Net change in fund balances	—	22,122	4,054	26,176
Fund balances - beginning	<u>—</u>	<u>29,138</u>	<u>11,623</u>	<u>40,761</u>
Fund balance - ending	<u>\$ —</u>	<u>\$ 51,260</u>	<u>\$ 15,677</u>	<u>\$ 66,937</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, 2019

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 404,892	\$ 404,892	\$ 669,411	\$ 264,519
Miscellaneous	—	—	4,202	4,202
Total revenues	<u>404,892</u>	<u>404,892</u>	<u>673,613</u>	<u>268,721</u>
Expenditures:				
Public Safety				
Law enforcement				
Current				
Personal services	2,962,410	2,962,410	3,004,108	(41,698)
Operating expenditures	738,778	767,902	1,374,911	(607,009)
Capital outlay	99,675	99,681	231,466	(131,785)
Total law enforcement	<u>3,800,863</u>	<u>3,829,993</u>	<u>4,610,485</u>	<u>(780,492)</u>
Corrections				
Current				
Personal services	1,332,421	1,332,421	1,106,935	225,486
Operating expenditures	629,509	629,509	574,690	54,819
Total corrections	<u>1,961,930</u>	<u>1,961,930</u>	<u>1,681,625</u>	<u>280,305</u>
Total expenditures	<u>5,762,793</u>	<u>5,791,923</u>	<u>6,292,110</u>	<u>(500,187)</u>
Excess (deficit) of revenues over (under) expenditures	<u>(5,357,901)</u>	<u>(5,387,031)</u>	<u>(5,618,497)</u>	<u>(231,466)</u>
Other financing sources (uses)				
Transfers in	5,357,901	5,387,031	5,387,031	—
Loan proceeds	—	—	231,466	231,466
Total other financing Sources (uses)	<u>5,357,901</u>	<u>5,387,031</u>	<u>5,618,497</u>	<u>231,466</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, 2019

ASSETS

Cash and Cash Equivalents	<u>\$ 215,733</u>
Total Assets	<u>\$ 215,733</u>

LIABILITIES

Due to individuals	<u>215,733</u>
Total Liabilities	<u>\$ 215,733</u>

See accompanying notes to the basic financial statements

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

SEPTEMBER 30, 2019

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, 2019

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, 2019

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, 2019

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 25, 2020, 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, 2019

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, 2019.

Interest Rate Risk

At September 30, 2019 the Sheriff did not hold any investments that were considered to be an interest rate risk.

Credit Risk

At September 30, 2019 the Sheriff did not hold any investments that were considered to be a credit risk.

Custodial Risk

At September 30, 2019 the Sheriff did not hold any deposits or investment that was considered to be a custodial risk.

Concentration of Credit Risk

At September 30, 2019, 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, 2019 are summarized as follows:

	<u>Balance</u> <u>9/30/2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>9/30/2019</u>
Machinery, furniture & equipment	\$3,652,328	\$ 231,466	\$ —	\$ 3,883,794
Accumulated depreciation	<u>(3,382,643)</u>	<u>(65,754)</u>	<u>—</u>	<u>(3,448,397)</u>
Capital assets - net	<u>\$ 269,685</u>	<u>\$ 165,712</u>	<u>\$ —</u>	<u>\$ 435,397</u>

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

SEPTEMBER 30, 2019

NOTE 4 – EMPLOYEE BENEFITS

RETIREMENT PLAN

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

Essentially all regular employees of the Sheriff are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Park IV, Florida Statutes, Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two costs-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statement, required supplementary information, actuarial report, and other relevant information is available from the Florida Department of Management Services' 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, 2019

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, 2019

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, 2019

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, 2019, 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, 2019

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, 2019, 2018, and 2017 were \$629,308, \$508,371, and \$545,622 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>09/30/18</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>09/30/19</u>
Accumulated compensated absences	\$ 310,818	\$ 75,766	\$ —	\$ 386,584

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, 2019

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, 2019

	<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	\$ 3,575	\$ 1,001	\$ 5,115	\$ 2,851	\$ 3,135	\$ 15,677
Total Assets	<u>3,575</u>	<u>1,001</u>	<u>5,115</u>	<u>2,851</u>	<u>3,135</u>	<u>15,677</u>
Liabilities & Fund Balance						
Liabilities						
Accounts payable	—	—	—	—	—	—
Total Liabilities	—	—	—	—	—	—
Fund Balance						
Restricted	<u>3,575</u>	<u>1,001</u>	<u>5,115</u>	<u>2,851</u>	<u>3,135</u>	<u>15,677</u>
Total Fund Balance	<u>3,575</u>	<u>1,001</u>	<u>5,115</u>	<u>2,851</u>	<u>3,135</u>	<u>15,677</u>
Total Liabilities and Fund Balance	<u>\$ 3,575</u>	<u>\$ 1,001</u>	<u>\$ 5,115</u>	<u>\$ 2,851</u>	<u>\$ 3,135</u>	<u>\$ 15,677</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, 2019

	<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	\$ 860	\$ 1,001	\$ 12,911	\$ 7,460	\$ 70	\$ 22,302
Total Revenues	<u>860</u>	<u>1,001</u>	<u>12,911</u>	<u>7,460</u>	<u>70</u>	<u>22,302</u>
Expenditures						
Public Safety Law Enforcement Current Operating Expenditures	<u>927</u>	<u>—</u>	<u>11,149</u>	<u>6,172</u>	<u>—</u>	<u>18,248</u>
Total Law Enforcement	<u>927</u>	<u>—</u>	<u>11,149</u>	<u>6,172</u>	<u>—</u>	<u>18,248</u>
Excess (deficit) of revenues over (under) expenditures	<u>(67)</u>	<u>1,001</u>	<u>1,762</u>	<u>1,288</u>	<u>70</u>	<u>4,054</u>
Fund balances – beginning of year	<u>3,642</u>	<u>—</u>	<u>3,353</u>	<u>1,563</u>	<u>3,065</u>	<u>11,623</u>
Fund balances – end of year	<u><u>\$ 3,575</u></u>	<u><u>\$ 1,001</u></u>	<u><u>\$ 5,115</u></u>	<u><u>\$ 2,851</u></u>	<u><u>\$ 3,135</u></u>	<u><u>\$ 15,677</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, 2019

	<u>Bonds</u>	<u>Inmate Trust</u>	<u>Total Agency Funds</u>
Assets:			
Cash and cash equivalents	\$ 204,752	\$ 10,981	\$ 215,733
Total Assets	<u>204,752</u>	<u>10,981</u>	<u>215,733</u>
Liabilities:			
Due to individuals	204,752	10,981	215,733
Total Liabilities	<u>\$ 204,752</u>	<u>\$ 10,981</u>	<u>\$ 215,733</u>

COMPLIANCE SECTION

Vance CPA LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

Tel. (706) 278-1221 • 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, 2019, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2020.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Florida Auditor General.

Other Reports

We have issued our Independent Auditors' Report on Internal Control Over financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on Examination of Compliance Requirements in Accordance with Chapter 10.550 Rules of Auditor General. Disclosures in those reports, which are dated June 25, 2020, 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 on finding 2018-001.

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 25, 2020

Vance CPA LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

Tel. (706) 278-1221 • 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, 2019, and have issued our report thereon dated June 25, 2020, 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 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 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*.

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 25, 2020

Vance CPA, LLC

Certified Public Accountant

219-B Avenue E

Apalachicola, FL 32320

Tel. (706) 278-1221 • 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, 2019.

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, 2019.

Vance CPA LLC

Vance CPA LLC

June 25, 2020

**Franklin County, Florida
Supervisor of Elections**

**Special-Purpose
Financial Statements
September 30, 2019**

Vance CPA, LLC

Certified Public Accountant

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**FRANKLIN COUNTY SUPERVISOR OF ELECTIONS
SEPTEMBER 30, 2019**

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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, 2019, 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, 2019, 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, 2019, 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 25, 2020 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 25, 2020

**FRANKLIN COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS**

**SPECIAL-PURPOSE BALANCE SHEET
GENERAL FUND
SEPTEMBER 30, 2019**

	<u>General Fund</u>
ASSETS	
Cash	\$ <u>283</u>
Total Assets	<u>283</u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Due to Board of County Commissioners	<u>283</u>
Total Liabilities	<u>283</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, 2019

	<u>General Fund</u>
REVENUES	
Intergovernmental	\$ 11,553
Miscellaneous	<u>8,677</u>
Total Revenues	<u>20,230</u>
 EXPENDITURES	
General government	
Personal services	285,821
Operating expenditures	<u>109,270</u>
Total Expenditures	<u>395,091</u>
 Excess (deficit) of revenues over (under) expenditures	 <u>(374,861)</u>
 Other financing sources (uses)	
Transfers to Board of County Commissioners	(283)
Transfers from Board of County Commissioners	<u>375,144</u>
Total Other Financing Sources (Uses)	<u>374,861</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
SUPERVISOR OF ELECTIONS**

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

YEAR ENDED SEPTEMBER 30, 2019

	<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	\$ —	\$ —	\$ 11,553	\$ 11,553
Miscellaneous	—	—	8,677	8,677
Total revenues	<u>—</u>	<u>—</u>	<u>20,230</u>	<u>20,230</u>
Expenditures:				
General government				
Current				
Personal services	244,557	244,557	285,821	(41,264)
Operating expenditures	<u>105,587</u>	<u>130,587</u>	<u>109,270</u>	<u>21,317</u>
Total expenditures	<u>350,144</u>	<u>375,144</u>	<u>395,091</u>	<u>(19,947)</u>
Excess (deficit) of revenues over (under) expenditures	<u>(350,144)</u>	<u>(375,144)</u>	<u>(374,861)</u>	<u>283</u>
Other financing				
sources (uses)				
Transfers to Board of County Commissioners	—	—	(283)	(283)
Transfers from Board of County Commissioners	<u>350,144</u>	<u>375,144</u>	<u>375,144</u>	<u>—</u>
Total other financing Sources (uses)	<u>350,144</u>	<u>375,144</u>	<u>374,861</u>	<u>(283)</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, 2019

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, 2019

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, 2019

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, 2019

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 25, 2020, 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, 2019

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, 2019.

Interest Rate Risk

At September 30, 2019, the Supervisor of Elections did not hold any investments that were considered to be an interest rate risk.

Credit Risk

At September 30, 2019, the Supervisor of Elections did not hold any investments that were considered to be a credit risk.

Custodial Risk

At September 30, 2019, 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, 2019, 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, 2019

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, 2019

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, 2019

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, 2019

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, 2019, 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, 2019

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, 2019, 2018, and 2017 were \$57,054, \$54,370, and \$46,378 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>09/30/18</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>09/30/19</u>
Accumulated compensated absences	\$ <u>7,072</u>	\$ <u>54</u>	\$ <u>—</u>	\$ <u>7,126</u>

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

NOTE 5 – RISK MANAGEMENT

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

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

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

COMPLIANCE SECTION

Vance CPA, LLC

Certified Public Accountant

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Apalachicola, FL 32320

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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, 2019, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2020.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Florida Auditor General.

Other Reports

We have issued our Independent Auditors' Report on Internal Control Over financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on Examination of Compliance Requirements in Accordance with Chapter 10.550 Rules of Auditor General. Disclosures in those reports, which are dated June 25, 2020, 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. Audit findings 2017-001, 2017-002, 2017-003, and 2017-004 were corrected and are therefore not repeated.

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 25, 2020

Vance CPA, LLC

Certified Public Accountant

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

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, 2019, and the related notes to the special purpose financial statements, and have issued our report thereon dated June 25, 2020.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Pursuant to provisions of Chapter 10.550, *Rules of the Auditor General*, we reported certain matters to management of the Clerk in a separate management letter and Independent Accountant’s Report dated June 25, 2020.

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
June 25, 2020

Vance CPA, LLC

Certified Public Accountant

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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, 2019.

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, 2019.

Vance CPA LLC

Vance CPA LLC

June 25, 2020