

Franklin County, Florida
Annual Financial Statements
September 30, 2008

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Franklin County, Florida as of and for the year ended September 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Franklin County, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Franklin County, Florida as of September 30, 2008, and the respective changes in financial position and, where applicable, the cash flows thereof, and the respective budgetary comparison for the general fund and the major special revenue funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated, March 31, 2009, on our consideration of Franklin County, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Management's discussion and analysis on pages 3 through 12, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally

accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Franklin County, Florida's basic financial statements. The combining and individual fund statements and schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance and findings and questioned costs are presented for the purpose of additional analysis, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550, State of Florida, *Rules of the Auditor General* and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Caru, Riggs & Ingram, L.L.C.

March 31, 2009

Management's Discussion and Analysis

Management's Discussion and Analysis

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

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

Financial Highlights

- The County's total net assets increased \$4,252,003 or 4% from September 30, 2007, to September 30, 2008.
- During the year ended September 30, 2008, the financial statements show that the County's general fund expenditures exceeded revenues by \$3,408,615. Please note, however, that total expenditures in the general fund were less than budgeted amounts.
- The County's depreciable capital assets, net of accumulated depreciation, increased \$3,039,222 which represents an increase of 3% for the year.

Nonfinancial Events

- There were two multi-year Airport Projects completed in the current year with funding provided by the Florida Department of Transportation and the Federal Aviation Administration. Runway 13-31 at the Apalachicola Airport was rehabilitated at a total cost of \$902,702 and the airport's fuel farm was relocated to a better location at a total cost of \$160,000.
- The roadway improvements to County Road 67 from the Carrabelle City limits to the Liberty County line were completed in the current year at an overall multi-year project cost of \$1,583,399. The Florida Department of Transportation provided a majority of the funding for this project.
- In the current fiscal year, Franklin County in cooperation with the Tourist Development Council purchased the Seafood Landing Park Located at 628 Hwy 98 West in Apalachicola. The Florida Department of Agriculture provided funding for a new boat ramp for the newly acquired facility. The boat ramp has been installed and is now being utilized by the community.
- Over the past two fiscal years, the County was the recipient of \$500,000 in state courthouse facilities grant-in-aid funds for renovation of the county courthouse in Apalachicola. The renovation included the update of electrical wiring, ceiling replacement, courtroom updates and a new handicapped accessible restroom. All aspects of design and construction are now complete on the multi-year project and the renovated courtroom is in use at an overall project cost of \$874,147.
- The Federally funded .68 mile long Bluff Road pedestrian/bike path extension project was completed in the current year at a cost of \$449,227. The design work for this project began over four years ago in Fiscal Year 2003/2004.

- The gross taxable value for operating purposes certified by the Franklin County Property Appraiser on July 1, 2007 showed nearly a 19 million dollar decline in Franklin County's taxable value from 2006 to 2007. The commission was able to reduce the millage rate to an all-time low of 3.4656 mills in Fiscal Year 2007/2008. The \$14,188,538 in budgeted proceeds from property taxes in Fiscal Year 2007/2008 was \$1,620,396 less than the budgeted proceeds of \$15,808,934 in Fiscal Year 2006/2007.

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 statements

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 2008 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 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 \$116 million at September 30, 2008, and \$111 million at September 30, 2007.

Net Assets						
	Governmental Activities		Business-type Activities		Total	
September 30,	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 23,656,535	\$ 21,314,004	\$1,690,424	\$2,245,660	\$ 25,346,959	\$ 23,559,664
Capital assets, net	97,203,406	94,237,047	610,010	537,147	97,813,416	94,774,194
Total assets	120,859,941	115,551,051	2,300,434	2,782,807	123,160,375	118,333,858
Current and other liabilities	2,194,071	2,546,404	1,397,728	1,264,961	3,591,799	3,811,365
Long-term liabilities	3,220,803	2,215,791	626,395	837,327	3,847,198	3,053,118
Total liabilities	5,414,874	4,762,195	2,024,123	2,102,288	7,438,997	6,864,483
Net assets invested in capital assets, net of related debt	95,842,189	93,430,245	559,923	484,180	96,402,112	93,914,425
Net assets – Restricted debt service	-	248,450	-	-	-	248,450
Net assets – Restricted law enforcement	-	4,113	-	-	-	4,113
Net assets – unrestricted	19,602,878	17,106,048	(283,612)	196,339	19,319,266	17,302,387
Total net assets	\$115,445,067	\$110,788,856	\$ 276,311	\$ 680,519	\$115,721,378	\$111,469,375

Statement of Activities

The following schedule summarizes revenues and expenses for the years ended September 30, 2008 and 2007:

Changes in Net Assets						
	Governmental Activities		Business-type Activities		Total	
Year ended September 30,	2008	2007	2008	2007	2008	2007
Program revenues						
Charges for services	\$ 2,342,564	\$ 2,270,182	\$4,546,297	\$4,510,835	\$ 6,888,861	\$ 6,781,017
Operating grants/contributions	4,271,586	4,284,060	590,856	526,661	4,862,442	4,810,721
Capital grants/contributions	1,720,892	2,161,601	28,048	158,765	1,748,940	2,320,366
General revenues						
Property taxes	13,745,707	15,343,436	-	-	13,745,707	15,343,436
Other taxes	4,559,240	3,512,760	-	-	4,559,240	3,512,760
Investment earnings	559,002	849,200	8,969	6,749	567,971	855,949
Other	565,760	398,314	-	34,320	565,760	432,634
Transfers	(1,289,394)	(654,020)	1,289,394	654,020	-	-
Total revenues	26,475,357	28,165,533	6,463,564	5,891,350	32,938,921	34,056,883
Expenses						
Program activities						
General						
government	4,263,591	4,288,711	-	-	4,263,591	4,288,711
Public safety	6,500,801	6,860,309	-	-	6,500,801	6,860,309
Physical						
environment	1,875,978	1,503,125	-	-	1,875,978	1,503,125
Transportation	4,612,165	3,256,148	-	-	4,612,165	3,256,148
Economic						
environment	702,847	446,255	-	-	702,847	446,255
Human services	945,247	1,114,193	-	-	945,247	1,114,193
Culture and recreation						
recreation	1,389,738	1,330,471	-	-	1,389,738	1,330,471
Court related	1,473,254	1,547,983	-	-	1,473,254	1,547,983
Interest and other charges						
other charges	55,525	32,854	-	-	55,525	32,854
Business-type activities	-	-	7,067,772	6,696,811	7,067,772	6,696,811
Total expenses	21,819,146	20,380,049	7,067,772	6,696,811	28,886,918	27,076,860
Net increase (decrease)	\$ 4,656,211	\$ 7,785,484	\$ (604,208)	\$ (805,461)	\$4,052,003	\$ 6,980,023

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.

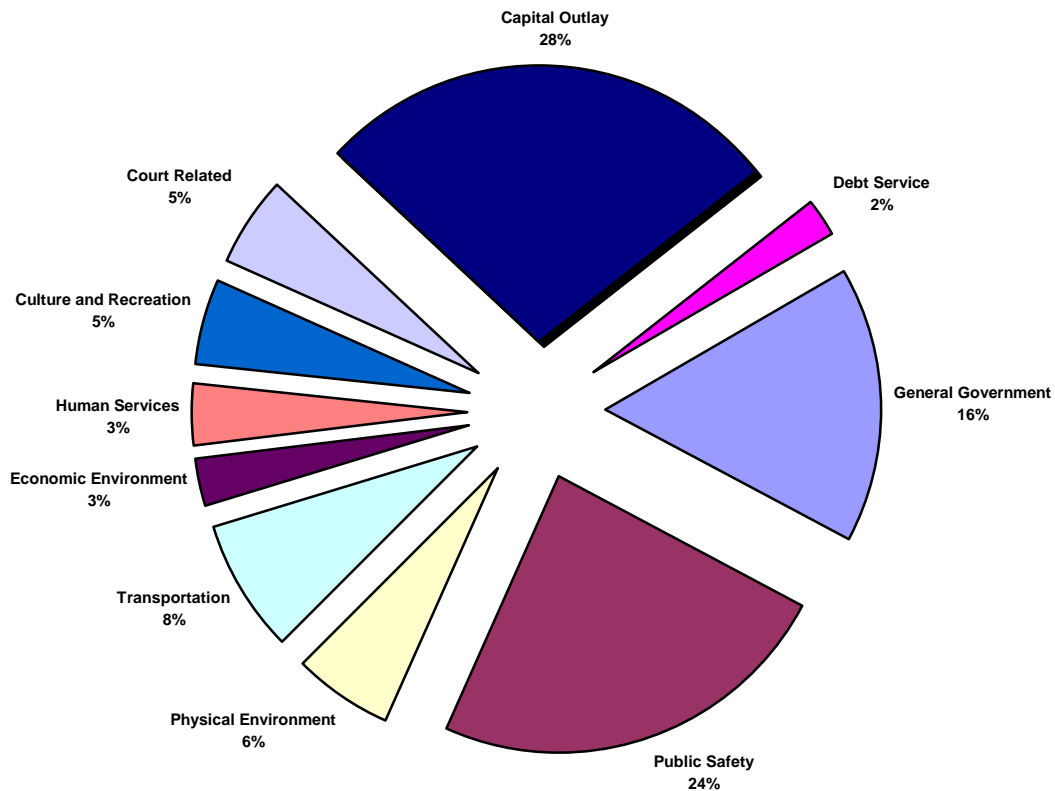
Governmental Funds

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, *unreserved fund balance* may serve as a useful measure of a government's net resources, available for spending, at the end of the fiscal year.

<i>September 30,</i>	2008	2007
Total fund balance	\$ 21,614,768	\$ 19,108,082
Less reserved fund balance for:		
Debt service	-	248,450
Landfill escrow	692,291	679,258
Law enforcement	-	4,113
Unreserved fund balance	\$ 20,922,477	\$ 18,176,261

As of the end of fiscal year 2008, the County's governmental funds reported combined ending fund balances of \$21,614,768. Of this amount, *unreserved fund balance* is \$20,922,477 and is not entirely available for spending (depending on fund restrictions) at the County's discretion.

Total Governmental Funds Expenditures by Functions



Major Funds

The general, fines and forfeitures, local option gas tax, state housing initiatives partnership program, economic development CDBG, clerk's fine and forfeitures and the hospital funds are reported as major funds.

- The general fund is the general operating fund of the County. All general tax revenues and other receipts that are not required either legally or by generally accepted accounting principles to be accounted for in other funds are accounted for in the general fund.
- General operating funds of the clerk of the Circuit Court, Property Appraiser, Sheriff, Tax Collector, and Supervisor of Elections represent subfunds 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.
- Fines and forfeitures is the fund that accounts for fines and ad valorem taxes that are used to support the operations of the court system, law enforcement, and the jail.
- The local option gas tax fund accumulates funds derived from the local option gas tax revenues collected from gasoline sales in Franklin County. These funds are used for road construction and resurfacing.
- The state housing initiatives partnership program is comprised of State grant funds which are primarily used for low to moderate income recipients for rehabilitation of existing homes, down payment assistance for purchase of new homes, emergency repairs, and construction of new homes throughout Franklin County.
- The economic development CDBG fund is comprised of repayments of loans originally granted to individuals from CDBG funds.
- Clerk's fine and forfeitures accounts for funds collected and disbursed pursuant to statutes, administrative orders and ordinances.
- The hospital fund is the fund that accounts for charges for services that are used to support the operations of the hospital and emergency medical services.

Budget Variances in the Major Funds

- Tax revenue of the general fund shows an unfavorable budget variance of \$479,509. The County budget shows 100% of anticipated revenues with "less 5% of estimated revenues" being shown separately as a deduction. Additionally, taxpayers can take advantage of as much as 4% reduction in taxes by paying in the month of November.
- The general fund shows a favorable budget variance of \$307,948 in the category of intergovernmental revenues. This variance is primarily caused by unanticipated grant revenues in the current year.
- Tax revenue of the fines & forfeitures fund shows an unfavorable budget variance of \$346,316. The County budget shows 100% of anticipated revenues with the "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.

revenues received were significantly less than budgeted due to the project progressing slower than originally anticipated. The project will be complete in Fiscal Year 2008/2009.

- Expenditures in the state housing initiatives partnership program were less than budgeted by \$130,859. These unspent grant funds will be available in the 2008/2009 fiscal year.
- The economic development CDBG fund is comprised of repayments of loans originally granted to individuals from CDBG funds.

Capital Assets and Long-Term Debt

- As of September 30, 2008, the County incurred costs of \$2,648,290 for construction in progress. Below is a summary of some 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
- Airport Projects: The rehabilitation of runway 6-24, the new airport corporate hangar, the extension of the Airport Entrance Road, the update/addition to the airport security fence, and drainage system repair are all in progress and should be completed in the near future.
- Road Projects: The Resurfacing of CR300 Gulf Beach Drive on St. George Island. Resurfacing of CR376 Airport Road in Carrabelle, and the CR370 Alligator Point Road Paving Project are all in progress and should be completed in the near future.
- Park Projects: Carrabelle Recreation Park Phases (I, II, III), Vrooman Park Project (Eastpoint), Seafood Landing Park Project (Apalachicola), and the St. George Island Lighthouse Project. The Carrabelle Recreation Park Grants and Appropriations provide funding for assorted buildings and sports areas. The Vrooman Park Appropriation provides funding for the renovation of the baseball fields (sod and clay), irrigation system, well and pump for the irrigation system, lighted field for the pitching machine, and a restroom building. The Seafood Landing Park Appropriation (Apalachicola) provides funding for a dock on Two Mile Channel, handicapped access ramp with guardrails, canoe/kayak launch, picnic areas, site lighting, landscaping, parking lot, observation deck and restrooms. The St. George Island Lighthouse Appropriation provides funding for landscaping, brick walkways, park benches with roofs, playground, handicapped restroom, irrigation system, lighting, signage and garbage receptacles. Completion of these park projects is anticipated in the near future.
- Pedestrian Traffic: The St. George Island multi-use path (Federally Funded) is now in the construction phase and path completion in Fiscal Year 2008/2009 is anticipated. The phase III path extends from the south side of CR 300 from 11th Street to the St. George Island State Park. The path will be lit by environmentally friendly solar lights.
- Boat Ramps: St. George Island Boat Ramp project will provide a much needed boat ramp on George Island. The ramp will be handicapped accessible, and a rock revetment will shelter the ramp, this project should be completed in Fiscal Year 2008/2009. The Eastpoint Boat Ramp Project is still in the design phase; however, the end result of the project will be a new ramp, newly dredged, and a floating dock at the location. The Ochlockonee Bay Boat Ramp Project is also still in the design phase, but will also have a new ramp installed, be dredged, floating dock and some paving improvements done to the location's parking area. The Bluff Road Boat Ramp Project is also underway and this project will add an additional bay to the existing ramp and clear a parking area.

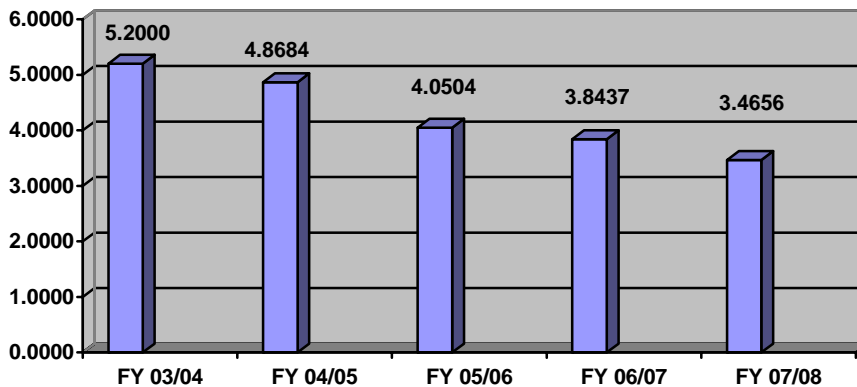
- Additional Purchases which increased capital asset value include: FDOT provided the funds necessary to purchase a new John Deere 5625 Tractor/Loader, a backhoe attachment, and other equipment necessary to keep the airport in operating condition, the Consolidated Solid Waste Grant provided the funds for the Solid Waste Department to purchase a new 544J Loader, one new Frazer Type Ambulance was purchased and one Ambulance had Chassis Remount for the Ambulance Service run by the county hospital.
- The County issued new long-term debt during the 2008 fiscal year in the amount of \$1,050,000 for the purchase of the 3.85 acre Seafood Landing Park in Apalachicola. The purchase price of the property was \$1,550,000.

Significant Economic Factors

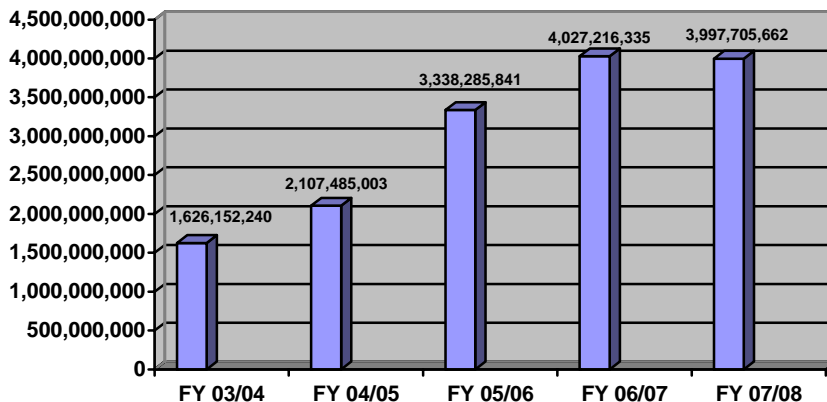
Taxable Value of Property and Millage Rates

The County received approximately \$13.7 million in property taxes based on the certified taxable value of property in Franklin County. This decrease from the prior year is a result of a decrease in property values and a decrease in the assessed millage rate charged to County citizens as depicted in the following graphs.

Millage Rates Levied by Fiscal Year



Certified Taxable Value by Fiscal Year



Requests for Information

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

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

Basic Financial Statements

Franklin County, Florida
Statement of Net Assets
September 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 7,907,437	\$ 855,407	\$ 8,762,844
Equity in pooled cash	12,945,038	-	12,945,038
Accounts receivable, net	606,894	751,069	1,357,963
Notes receivable	118,089	-	118,089
Internal balances	(14,896)	14,896	-
Prepaid expenses	5,000	52,054	57,054
Due from other governments	2,088,973	6,780	2,095,753
Capital assets			
Nondepreciable	7,440,536	13,400	7,453,936
Depreciable, net	89,762,870	596,610	90,359,480
Deposits	-	10,218	10,218
Total assets	\$ 120,859,941	\$ 2,300,434	\$ 123,160,375
Liabilities and net assets			
Accounts payable and accrued expenses	\$ 1,224,018	\$ 979,980	\$ 2,203,998
Due to other governments	209,759	-	209,759
Deferred revenue	500,130	295,195	795,325
Long-term liabilities			
Customer deposits	10,500	-	10,500
Due within one year			
Accrued compensated absences	139,081	16,436	155,517
Notes and leases payable	110,583	106,117	216,700
Due in more than one year			
Accrued compensated absences	513,881	93,139	607,020
Notes and leases payable	1,250,634	533,256	1,783,890
Landfill closure liability	1,456,288	-	1,456,288
Total liabilities	5,414,874	2,024,123	7,438,997
Net assets			
Invested in capital assets, net of related debt	95,842,189	559,923	96,402,112
Unrestricted	19,602,878	(283,612)	19,319,266
Total net assets	\$ 115,445,067	\$ 276,311	\$ 115,721,378

See accompanying notes

Franklin County, Florida
Statement of Activities
Year Ended September 30, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 4,263,591	\$ 424,576	\$ 520,619	\$ -	\$ (3,318,396)	\$ -	\$ (3,318,396)
Public safety	6,500,801	827,161	316,914	-	(5,356,726)	-	(5,356,726)
Physical environment	1,875,978	592,378	347,316	-	(936,284)	-	(936,284)
Transportation	4,612,165	-	407,644	798,419	(3,406,102)	-	(3,406,102)
Economic environment	702,847	-	831,335	-	128,488	-	128,488
Human services	945,247	1,105	374,894	-	(569,248)	-	(569,248)
Culture and recreation	1,389,738	16,320	1,472,864	922,473	1,021,919	-	1,021,919
Court related	1,473,254	481,024	-	-	(992,230)	-	(992,230)
Interest on long-term debt	55,525	-	-	-	(55,525)	-	(55,525)
Total governmental activities	21,819,146	2,342,564	4,271,586	1,720,892	(13,484,104)	-	(13,484,104)
Business-type activities							
Hospital	7,067,772	4,546,297	590,856	28,048	-	(1,902,571)	(1,902,571)
Total business-type activities	7,067,772	4,546,297	590,856	28,048	-	(1,902,571)	(1,902,571)
Total primary government	<u>\$ 28,886,918</u>	<u>\$ 6,888,861</u>	<u>\$ 4,862,442</u>	<u>\$ 1,748,940</u>	(13,484,104)	(1,902,571)	(15,386,675)
General revenues							
Taxes							
Property taxes					13,745,707	-	13,745,707
Franchise and utility taxes					50,971	-	50,971
Local option gas tax					306,752	-	306,752
Sales tax and other shared revenues					4,201,517	-	4,201,517
Investment earnings					559,002	8,969	567,971
Miscellaneous					565,760	-	565,760
Total general revenues					19,429,709	8,969	19,438,678
Transfers					(1,289,394)	1,289,394	-
Total general revenues and transfers					18,140,315	1,298,363	19,438,678
Change in net assets					4,656,211	(604,208)	4,052,003
Net assets - beginning					110,788,856	680,519	111,469,375
Prior period adjustment					-	200,000	200,000
Net assets - beginning (restated)					110,788,856	880,519	111,669,375
Net assets - ending					\$ 115,445,067	\$ 276,311	\$ 115,721,378

See accompanying notes

Franklin County, Florida
Balance Sheet
Governmental Funds
September 30, 2008

	General	Fines and Forfeitures	Local Option Gas Tax	State Housing Initiatives Partnership	Economic Development CDBG	Clerk's Fine and Forfeitures	Other Governmental Funds	Total Governmental Funds
Assets								
Cash and cash equivalents	\$ 1,704,738	\$ 1,153,131	\$ 1,900,023	\$ 321,575	\$ 12,301	\$ 165,720	\$ 2,649,949	\$ 7,907,437
Equity in pooled cash	3,800,054	1,671,325	3,238,483	-	262,487	-	3,972,689	12,945,038
Due from other funds	739,146	9,825	-	-	-	26,253	35,188	810,412
Due from other governmental units	904,689	32,199	139,420	-	-	-	1,012,665	2,088,973
Accounts receivable, net	150,516	358,003	-	-	-	-	55,987	564,506
Notes receivable	-	-	-	118,089	327,980	-	-	446,069
Prepaid expenses	5,000	-	-	-	-	-	-	5,000
Total assets	\$ 7,304,143	\$ 3,224,483	\$ 5,277,926	\$ 439,664	\$ 602,768	\$ 191,973	\$ 7,726,478	\$ 24,767,435
Liabilities and fund balances								
Liabilities								
Customer deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,500	\$ 10,500
Vouchers payable	795,444	13,978	26,410	3,162	-	36,269	348,755	1,224,018
Due to other governmental units	19,307	1,258	-	-	-	153,999	35,195	209,759
Due to other funds	410,488	19,498	-	-	-	1,705	351,229	782,920
Deferred revenue	106,048	-	-	326,695	327,980	-	164,747	925,470
Total liabilities	1,331,287	34,734	26,410	329,857	327,980	191,973	910,426	3,152,667
Fund balances								
Reserved for landfill escrow	-	-	-	-	-	-	692,291	692,291
Unreserved								
Undesignated, reported in								
General fund	5,936,030	-	-	-	-	-	-	5,936,030
Special revenue funds	-	3,226,575	5,251,516	109,807	274,788	-	5,375,461	14,238,147
Capital projects	-	-	-	-	-	-	748,300	748,300
Total fund balances	5,936,030	3,226,575	5,251,516	109,807	274,788	-	6,816,052	21,614,768
Total liabilities and fund balances	\$ 7,267,317	\$ 3,261,309	\$ 5,277,926	\$ 439,664	\$ 602,768	\$ 191,973	\$ 7,726,478	
Amounts reported for governmental activities in the statement of net assets are different because:								
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.								
								97,203,406
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.								
								(3,470,467)
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.								
								97,360
Net assets of governmental activities							\$	115,445,067

See accompanying notes

Franklin County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2008

	General	Fines and Forfeitures	Local Option Gas Tax	State Housing Initiatives Partnership	Economic Development CDBG	Clerk's Fine and Forfeitures	Other Governmental Funds	Total Governmental Funds
Revenues								
Taxes	\$ 7,736,296	\$ 5,686,351	\$ 289,994	\$ -	\$ -	\$ -	\$ 1,973,437	\$ 15,686,078
Licenses and permits	117,599	-	-	-	-	-	-	117,599
Intergovernmental	4,007,747	1,505	617,838	648,786	-	291,676	3,152,926	8,720,478
Fines and forfeitures	-	25,566	-	-	-	-	56,624	82,190
Charges for services	327,312	515,547	-	-	-	392,317	684,184	1,919,360
Investment earnings and other	576,600	304	117,369	14,452	10,710	4,226	544,152	1,267,813
Total revenues	12,765,554	6,229,273	1,025,201	663,238	10,710	688,219	6,411,323	27,793,518
Expenditures								
Current								
General government	4,019,391	-	-	-	-	-	8,217	4,027,608
Public safety	5,494,325	-	-	-	-	-	425,840	5,920,165
Physical environment	990,460	-	-	-	-	-	484,317	1,474,777
Transportation	-	-	89,116	-	-	-	1,857,002	1,946,118
Economic environment	52,971	-	-	648,685	-	-	-	701,656
Human services	681,405	-	-	-	-	-	179,227	860,632
Culture and recreation	331,592	-	-	-	-	-	939,000	1,270,592
Court related	23,925	764,987	-	-	-	528,563	-	1,317,475
Capital outlay	4,301,241	37,904	847,167	-	-	5,658	1,631,429	6,823,399
Debt service	278,859	-	-	-	-	-	272,160	551,019
Total expenditures	16,174,169	802,891	936,283	648,685	-	534,221	5,797,192	24,893,441
Excess (deficit) of revenues over (under) expenditures	(3,408,615)	5,426,382	88,918	14,553	10,710	153,998	614,131	2,900,077
Other financing sources (uses)								
Transfers in	5,116,916	-	686,505	-	-	-	555,409	6,358,830
Transfers out	(2,094,643)	(4,740,688)	-	-	-	-	(812,892)	(7,648,223)
Reversion to State of Florida	-	-	-	-	-	(153,998)	-	(153,998)
Debt issuance	1,050,000	-	-	-	-	-	-	1,050,000
Total other financing sources (uses)	4,072,273	(4,740,688)	686,505	-	-	(153,998)	(257,483)	(393,391)
Net change in fund balances	663,658	685,694	775,423	14,553	10,710	-	356,648	2,506,686
Fund balances - beginning	5,272,372	2,540,881	4,476,093	95,254	264,078	-	6,459,404	19,108,082
Fund balances - ending	\$ 5,936,030	\$ 3,226,575	\$ 5,251,516	\$ 109,807	\$ 274,788	\$ -	\$ 6,816,052	\$ 21,614,768

See accompanying notes

Franklin County, Florida
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities
 Year Ended September 30, 2008

Amounts reported for governmental activities in the statement of activities (page 14) are different because:

Net change in fund balances - total governmental funds (page 16)	\$ 2,506,686
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of activities.	6,823,399
Depreciation expense on governmental capital assets included in the governmental activities in the statement of activities.	(3,860,573)
Repayment of long-term debt is reported as an expenditure in governmental funds but as a reduction of long-term liabilities in the statement of net assets.	495,585
The issuance of long-term debt (notes payable) provides current financial resources to governmental funds, while it has no effect on the statement of activities.	(1,050,000)
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.	(269,784)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	10,898
Change in net assets of governmental activities (page 14)	\$ 4,656,211

Franklin County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 8,215,805	\$ 8,215,805	\$ 7,736,296	\$ (479,509)
Licenses and permits	188,267	188,267	117,599	(70,668)
Intergovernmental	3,434,518	3,699,799	4,007,747	307,948
Charges for services	269,400	269,400	327,312	57,912
Miscellaneous revenues	296,600	321,599	576,600	255,001
Total revenues	12,404,590	12,694,870	12,765,554	70,684
Expenditures				
Current				
General government	4,637,681	4,763,815	4,019,391	744,424
Public safety	5,511,904	5,521,422	5,494,325	27,097
Physical environment	1,032,301	1,032,301	990,460	41,841
Economic environment	53,073	53,073	52,971	102
Human services	835,457	835,457	681,405	154,052
Culture and recreation	375,137	352,504	331,592	20,912
Court related	27,209	27,209	23,925	3,284
Capital outlay	3,647,627	5,071,165	4,301,241	769,924
Debt service	343,489	284,140	278,859	5,281
Total expenditures	16,463,878	17,941,086	16,174,169	1,766,917
Excess (deficit) of revenues over (under) expenditures	(4,059,288)	(5,246,216)	(3,408,615)	1,837,601
Other financing sources (uses)				
Transfers in	5,504,399	5,450,185	5,116,916	(333,269)
Transfers out	(2,410,016)	(2,246,114)	(2,094,643)	151,471
Debt issuance	-	1,050,000	1,050,000	-
Total other financing sources (uses)	3,094,383	4,254,071	4,072,273	(181,798)
Net change in fund balance	(964,905)	(992,145)	663,658	1,655,803
Fund balance - beginning	5,272,372	5,272,372	5,272,372	-
Fund balance - ending	\$ 4,307,467	\$ 4,280,227	\$ 5,936,030	\$ 1,655,803

See accompanying notes

Franklin County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Fines and Forfeitures Fund
Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 6,032,667	\$ 6,032,667	\$ 5,686,351	\$ (346,316)
Intergovernmental	-	-	1,505	1,505
Charges for services	416,918	416,918	515,547	98,629
Fines and forfeitures	27,500	27,500	25,566	(1,934)
Miscellaneous revenues	3,500	3,500	304	(3,196)
Total revenues	6,480,585	6,480,585	6,229,273	(251,312)
Expenditures				
Current				
Court related	1,415,999	1,415,999	764,987	651,012
Capital outlay	151,900	176,177	37,904	138,273
Total expenditures	1,567,899	1,592,176	802,891	789,285
Excess of revenues over expenditures	4,912,686	4,888,409	5,426,382	537,973
Other financing sources (uses)				
Transfers out	(5,096,185)	(5,096,185)	(4,740,688)	355,497
Total other financing sources (uses)	(5,096,185)	(5,096,185)	(4,740,688)	355,497
Net change in fund balance	(183,499)	(207,776)	685,694	893,470
Fund balance - beginning	2,540,881	2,540,881	2,540,881	-
Fund balance - ending	\$ 2,357,382	\$ 2,333,105	\$ 3,226,575	\$ 893,470

See accompanying notes

Franklin County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Local Option Gas Tax Fund
Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 288,049	\$ 288,049	\$ 289,994	\$ 1,945
Intergovernmental	2,603,268	2,656,268	617,838	(2,038,430)
Miscellaneous revenues	34,000	34,000	117,369	83,369
Total revenues	2,925,317	2,978,317	1,025,201	(1,953,116)
Expenditures				
Current				
Transportation	-	-	89,116	(89,116)
Capital outlay	6,965,556	7,018,556	847,167	6,171,389
Total expenditures	6,965,556	7,018,556	936,283	6,082,273
Excess (deficit) of revenues over (under) expenditures	(4,040,239)	(4,040,239)	88,918	4,129,157
Other financing sources (uses)				
Transfers in	686,505	686,505	686,505	-
Total other financing sources (uses)	686,505	686,505	686,505	-
Net change in fund balance	(3,353,734)	(3,353,734)	775,423	4,129,157
Fund balance - beginning	4,476,093	4,476,093	4,476,093	-
Fund balance - ending	\$ 1,122,359	\$ 1,122,359	\$ 5,251,516	\$ 4,129,157

See accompanying notes

Franklin County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - State Housing Initiatives Partnership Fund
Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 350,000	\$ 350,000	\$ 648,786	\$ 298,786
Miscellaneous revenues	24,500	24,500	14,452	(10,048)
Total revenues	374,500	374,500	663,238	288,738
Expenditures				
Current				
Economic environment	779,544	779,544	648,685	130,859
Total expenditures	779,544	779,544	648,685	130,859
Excess (deficit) of revenues over (under) expenditures	(405,044)	(405,044)	14,553	419,597
Fund balance - beginning	95,254	95,254	95,254	-
Fund balance - ending	\$ (309,790)	\$ (309,790)	\$ 109,807	\$ 419,597

Franklin County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Economic Development Fund - CDBG
Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous revenues	\$ 10,600	\$ 10,600	\$ 10,710	\$ 110
Total revenues	10,600	10,600	10,710	110
Expenditures				
Total expenditures	-	-	-	-
Excess of revenues over expenditures	10,600	10,600	10,710	110
Fund balance - beginning	264,078	264,078	264,078	-
Fund balance - ending	\$ 274,678	\$ 274,678	\$ 274,788	\$ 110

Franklin County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Clerk's Fine and Forfeitures Fund
Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 286,793	\$ 286,793	\$ 291,676	\$ 4,883
Charges for services	376,977	376,977	392,317	15,340
Miscellaneous revenues	5,042	5,042	4,226	(816)
Total revenues	668,812	668,812	688,219	19,407
Expenditures				
Current				
Court related	608,011	608,011	528,563	79,448
Capital outlay	-	-	5,658	(5,658)
Total expenditures	608,011	608,011	534,221	73,790
Excess of revenues over expenditures	60,801	60,801	153,998	93,197
Other financing sources (uses)				
Reversion to State of Florida	-	-	(153,998)	(153,998)
Total other financing sources (uses)	-	-	(153,998)	(153,998)
Net change in fund balance	60,801	60,801	-	(60,801)
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ 60,801	\$ 60,801	\$ -	\$ (60,801)

See accompanying notes

Franklin County, Florida
Statement of Net Assets
Proprietary Fund
September 30, 2008

Business-type Activities - Enterprise Fund

	Hospital
Assets	
Current assets	
Cash and cash equivalents	\$ 855,407
Accounts receivable, net	751,069
Due from other funds	14,896
Due from other governments	6,780
Prepaid expenses	52,054
Total current assets	1,680,206
Noncurrent assets	
Capital assets	
Land	13,400
Buildings	233,452
Machinery and equipment	570,040
Less allowance for depreciation	(206,882)
Capital assets (net of accumulated depreciation)	610,010
Other assets	
Deposits	10,218
Total noncurrent assets	620,228
Total assets	\$ 2,300,434
Liabilities	
Current liabilities	
Accounts payable and accrued expenses	\$ 979,980
Deferred revenue	295,195
Accrued compensated absences - current	16,436
Leases payable - current	20,403
Notes payable - current	85,714
Total current liabilities	1,397,728
Noncurrent liabilities	
Accrued compensated absences	93,139
Leases payable	29,684
Notes payable	503,572
Total noncurrent liabilities	626,395
Total liabilities	2,024,123
Net assets	
Invested in capital assets, net of related debt	559,923
Unrestricted	(283,612)
Total net assets	\$ 276,311

See accompanying notes

Franklin County, Florida
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
Year Ended September 30, 2008

Business-type Activities - Enterprise Fund

	Hospital
Operating revenues	
Charges for services	\$ 4,418,313
Other	127,984
Total revenues	4,546,297
Operating expenses	
Employee leasing	3,413,738
Advertising	6,519
Clinical supplies	625,524
Contractual services	669,020
Depreciation	95,858
Insurance	58,120
License and permits	5,302
Minor equipment	26,029
Other current charges	59,629
Other patient related costs	101,044
Professional services	1,664,519
Repairs and maintenance	100,943
Supplies	50,011
Training and development	16,630
Travel	4,959
Utilities	141,298
Total operating expenses	7,039,143
Operating income (loss)	(2,492,846)
Nonoperating revenues (expenses)	
Interest income	8,969
Grants and noncapital contributions	590,856
Capital contributions	28,048
Interest expense and amortization of fiscal costs	(28,629)
Total nonoperating revenues (expenses)	599,244
Income (loss) before transfers	(1,893,602)
Transfers in	1,289,394
Change in net assets	(604,208)
Net assets - beginning	680,519
Prior period adjustment	200,000
Net assets - beginning (restated)	880,519
Net assets - ending	\$ 276,311

See accompanying notes

Franklin County, Florida
Statement of Cash Flows
Proprietary Fund
Year Ended September 30, 2008

Business-type Activities - Enterprise Fund

	Hospital
Cash flows from operating activities	
Receipts from customers and others	\$ 6,058,977
Payments to suppliers	(3,556,381)
Payments to employees	(3,413,181)
<hr/>	
Net cash used in operating activities	(910,585)
<hr/>	
Cash flows from noncapital financing activities	
Grants received	28,048
Contributions	590,856
Transfers from other funds	1,289,394
<hr/>	
Net cash provided by noncapital financing activities	1,908,298
<hr/>	
Cash flows from capital and related financing activities	
Acquisition of capital assets	(168,721)
Proceeds from long-term debt	19,635
Repayment of leases	(200,113)
Interest paid on long-term debt	(28,629)
<hr/>	
Net cash used in capital and related financing activities	(377,828)
<hr/>	
Cash flows from investing activities	
Interest received	8,969
Net cash provided by investing activities	8,969
<hr/>	
Increase in cash and cash equivalents	628,854
Cash and cash equivalents - beginning	226,553
<hr/>	
Cash and cash equivalents - ending	\$ 855,407
	(Continued)

Franklin County, Florida
Statement of Cash Flows
Proprietary Fund (Continued)
Year Ended September 30, 2008

Business-type Activities - Enterprise Fund

	Hospital
Reconciliation of operating income (loss)	
to net cash used in operating activities	
Operating income (loss)	\$ (2,492,846)
Adjustments to reconcile operating income (loss) to net cash used in operating activities	
Depreciation	95,858
(Increase) decrease in assets	
Accounts receivables, net	1,232,381
Due from other funds	(14,896)
Due from other governments	(6,780)
Prepaid expenses	(43,259)
Deposits on assets	16,644
Increase (decrease) in liabilities	
Compensated absences	557
Accounts payable	(106,088)
Accrued expenses	112,649
Deferred revenue	295,195
Net cash used in operating activities	\$ (910,585)

Franklin County, Florida
Statement of Fiduciary Net Assets - Fiduciary Funds
September 30, 2008

	Agency Funds
<hr/>	
Assets	
Cash and cash equivalents	\$ 203,852
Total assets	\$ 203,852
<hr/>	
Liabilities	
Due to individuals	\$ 84,673
Due to other funds	42,388
Due to other governments	59,763
Installments	16,097
Deposits	931
Total liabilities	\$ 203,852
<hr/>	

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 principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. In accordance with GASB Statement 20, pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 are not applied in the preparation of the financial statements of the enterprise fund types. 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 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 by 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 component units of the County, and 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 Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, 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 outlined in GASB Statement No. 14 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 other 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.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The County was established by the Constitution of the State of Florida, Article VIII, and Section 1(e).

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

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

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 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 is 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

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 exclude 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 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

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets. The Board applies all GASB pronouncements as well as all FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins, issued on or before November 30, 1989, which do not contradict GASB pronouncements.

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.

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 accounts for all resources traditionally associated with governments except those required to be accounted for in other funds.
- Fines and forfeitures – This fund accounts for the fines and ad valorem taxes earmarked for law enforcement and corrections.
- Local option gas tax – This fund accounts for the County's local option gas tax revenue earmarked for road construction and improvements.
- State housing initiatives partnership – This fund accounts for the activity in the County's state housing initiatives partnership program (SHIP).
- Economic development - CDBG – This fund accounts for Franklin County's Revolving Loan Program that was funded by a community development block grant.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Clerk’s Fine and Forfeitures – This fund accounts for funds collected and disbursed pursuant to statutes, administrative orders and ordinances.

Proprietary Major Funds

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

Other Fund Types

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

Noncurrent Governmental Assets/Liabilities

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

Budgets

Annual budgets are legally adopted for all governmental funds and all 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the County’s policy to use restricted resources first, then unrestricted resources as they are needed.

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.

Inventories

Inventory in the proprietary fund is valued at the lower of cost (first-in, first-out) or market. Inventory items of materials and supplies, which are not significant in amount, are considered expenditures when purchased.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

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

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

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

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

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

Deferred Revenues

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenues (Continued)

not available, and in accordance with the modified accrual basis of accounting, are reported as deferred revenues.

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.

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, 2008 was 3.4656 mills.

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

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

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reserves and Designations of Fund Equity

Reserves indicate that portion of fund balance or net assets that is not available for appropriation or which is legally segregated for a specific future use. The description of each reserve indicates the purpose for which each was intended. Designated portions of fund equity represent management's tentative future spending plans. Such designations should be clearly distinguished from reserves, since managerial plans are subject to change and may never be legally authorized or result in actual expenditures.

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.

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

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

The governmental fund balance sheet includes a reconciliation between *fund balances - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, "long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds." The details of this \$3,470,467 difference are as follows:

Notes to Financial Statements

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

Capital leases payable	\$ 1,361,217
Compensated absences	652,962
Landfill closing costs	1,456,288
<hr/>	
Net adjustment to reduce <i>fund balances - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$ 3,470,467

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 \$97,203,406 difference are as follows:

Cost of capital assets	\$ 134,788,439
Less: accumulated depreciation	(37,585,033)
<hr/>	
Net adjustment to increase <i>fund balances - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$ 97,203,406

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 \$97,360 difference are as follows:

Deferred revenues	\$ 425,250
Notes receivable	(327,890)
<hr/>	
Net adjustment to increase <i>fund balances - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$ 97,360

Explanation of certain differences between the governmental fund statements of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change in fund balances - total governmental funds and change in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, "repayment of long-term debt is reported as an expenditure in the governmental funds but as a reduction of long-term debt in the statement of net assets."

The details of this \$495,585 difference are as follows:

Principal repayments:	
Bonds	\$ 231,000
Notes payable and capital leases	264,585
<hr/>	
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	\$ 495,585

Notes to Financial Statements

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 \$269,784 difference are as follows:

Compensated absences	\$ (115,785)
Loss on disposals	(7,365)
Change in deferred revenue	(39,668)
Landfill costs	(106,966)
<hr/>	
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	\$ (269,784)

NOTE 3 – CASH AND INVESTMENTS***Deposits Policies***

All cash resources of the County are placed in banks that qualify as 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.

Investments Policies

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

The Local Government Surplus Funds Trust Fund (State Board of Administration) 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 state-certified qualified public depositories as defined in s. 280.02.

Direct obligations of the United States Treasury.

Notes to Financial Statements

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Federal agencies and instrumentalities.

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

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, 2008, 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, 2008, the County held deposits or investments that were considered to be a custodial risk. See below.

Concentration of Credit Risk

At September 30, 2008, the County did not hold any investments that were considered to be a concentration of credit risk.

At September 30, 2008, the City'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)	\$ 8,762,844	\$ -	\$ -	\$ 8,762,844
Local Government Surplus Trust Fund Pool	(1)	12,945,038	-	-	12,945,038
Total		\$ 21,707,882	\$ -	\$ -	\$ 21,707,882

(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.

Notes to Financial Statements

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)***Local Government Surplus Trust Fund Pool***

The LGIP portion of the pool (\$12,285,056) is considered a SEC 2a7-like fund and the account balance is the fair value of the investment.

The Fund B portion (\$659,982) is accounted for as a fluctuating NAV pool.

Credit quality disclosure – LGIP is rated by Standard and Poors. The current rating is AAAM. Fund B is not rated by any nationally recognized statistical rating agency.

Interest rate risk – The weighted average days to maturity of the LGIP at September 30, 2008 was 8.5 days. The weighted average life of Fund B at September 30, 2008 was 9.36 years.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivables at September 30, 2008, consisted of the following:

Governmental Activities - Accounts Receivable	General	Fines and Forfeitures	State Housing Initiatives Partnership	Economic Development	Other Govern- mental Funds	Total
Accounts receivable	\$150,516	\$ 358,003	\$ -	\$ -	\$ 55,987	\$564,506
Notes receivable	-	-	118,089	327,980	-	446,069
(Allowance for doubtful accounts)	-	-	-	(327,980)	-	(327,980)
Accounts receivable, net	\$150,516	\$ 358,003	\$ 118,089	\$ -	\$ 55,987	\$682,595

Business-type Activities - Accounts Receivable	Hospital
Accounts receivable	\$ 10,623,959
(Allowance for doubtful accounts)	(9,872,890)
Accounts receivable, net	\$ 751,069

Notes to Financial Statements

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

All interfund balances are due to timing differences and expected to be repaid during the fiscal year ending September 30, 2009.

Internal balances at September 30, 2008, consist of the following:

Fund	Interfund Receivables	Interfund Payables
General	\$ 739,146	\$ 410,488
Special revenue		
Fines and forfeitures	9,825	19,498
County road and bridge	19,353	-
Fire protection	-	25,120
Library	104	886
Mosquito control	494	2,291
Law enforcement educational trust	286	-
Neighborhood revitalization	9,560	41,856
Hospital trust	-	48,652
Boating improvement	-	180,258
Airport	-	52,105
Clerk's fine and forfeitures	26,253	1,705
Clerk's modernization trust	5,391	61
Total special revenue	71,266	372,432
Enterprise - hospital	14,896	-
Agency	-	42,388
Total	\$ 825,308	\$ 825,308

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.

Notes to Financial Statements

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Fund transferred from	Fund transferred to	Amount	Purpose
Fines and forfeitures	General	\$ 4,740,688	To fund the Sheriff budget.
General	Local option gas tax	686,505	Transfer of general revenue for road construction.
General	Nonmajor governmental funds	555,588	Purchase of equipment, operation of public library, and other allowable expenditures.
Nonmajor governmental funds	General	372,614	To record the budgeted transfers from the landfill fund and tourist development, and between special revenue funds and constitutional officers.
Nonmajor governmental funds	Hospital	436,844	Transfer of ½ cent sales tax
General	Hospital	852,550	Transfer of operating cash
Total		\$7,681,615	

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended September 30, 2008, is as follows:

	September 30, 2007	Increase	Decrease	September 30, 2008
Capital assets not being depreciated				
Land	\$ 1,410,258	\$ 1,286,449	\$ -	\$ 2,696,707
Construction in progress	3,296,411	2,648,290	(1,200,872)	4,743,829
Total capital assets not being depreciated	4,706,669	3,934,739	(1,200,872)	7,440,536
Capital assets being depreciated				
Buildings	10,378,906	279,000	-	10,657,906
Improvements other than buildings	2,663,579	2,358,805	-	5,022,384
Machinery and equipment	12,006,707	737,442	(264,247)	12,479,902
Infrastructure	98,462,530	725,183	-	99,187,713
Total capital assets being depreciated	123,511,722	4,100,430	(264,247)	127,347,905

Franklin County, Florida

Notes to Financial Statements

NOTE 6 – CAPITAL ASSETS (CONTINUED)

	September 30, 2007	Increase	Decrease	September 30, 2008
Accumulated depreciation				
		\$		
Buildings	\$ 3,235,684	207,202	\$ -	\$ 3,442,886
Improvements other than buildings	1,653,427	85,476	-	1,738,903
Machinery and equipment	8,383,951	1,141,294	(256,882)	9,268,363
Infrastructure	20,708,282	2,426,601	-	23,134,883
Total accumulated depreciation	33,981,344	3,860,573	(256,882)	37,585,035
Capital assets being depreciated - net	89,530,378	239,857	(7,365)	89,762,870
Total governmental activities' capital assets (net of accumulated depreciation)	\$ 94,237,047	\$4,174,596	\$(1,208,237)	\$ 97,203,406

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

General government	\$ 228,718
Public safety	473,102
Physical environment	296,345
Transportation	2,665,426
Economic environment	800
Human services	80,235
Culture and recreation	115,947
Total depreciation expense - governmental activities	\$ 3,860,573

Capital asset activity for the business-type activities for the year ended September 30, 2008, is as follows:

	September 30, 2007	Increase	Decrease	September 30, 2008
Capital assets not being depreciated				
Land	\$ 13,400	\$ -	\$ -	\$ 13,400
Total capital assets not being depreciated	13,400	-	-	13,400
Capital assets being depreciated				
Buildings	233,452	-	-	233,452
Machinery and equipment	401,319	168,721	-	570,040
Total capital assets being depreciated	634,771	168,721	-	803,492

Franklin County, Florida

Notes to Financial Statements

NOTE 6 – CAPITAL ASSETS (CONTINUED)

	September 30, 2007	Increase	Decrease	September 30, 2008
Less accumulated depreciation				
Buildings	\$ 10,716	\$ 6,803	\$ -	\$ 17,519
Machinery and equipment	100,308	89,055	-	189,363
Total accumulated depreciation	111,024	95,858	-	206,882
Capital assets being depreciated - net	523,747	72,863	-	596,610
Total governmental activities' capital assets (net of accumulated depreciation)	\$ 537,147	\$ 72,863	\$ -	\$ 610,010

NOTE 7 – LONG-TERM DEBT

Long-term debt of the County's governmental activities for the year ended September 30, 2008, is as follows:

	Balance September 30, 2007	Additions	Deductions	Balance September 30, 2008	Due Within One Year
Jail construction – capital improvement revenue bond, dated November 1989.	\$ 231,000	\$ -	\$ 231,000	\$ -	\$ -
Installment purchase agreement for landfill equipment, payable in annual payments of \$185,237 including interest at 5.2%.	179,302	-	179,302	-	-
Loan to purchase lights for Carabelle, payable in annual payments of \$93,310 including interest at 3.95%.	396,500	-	70,788	325,712	74,809
Loan to purchase Lombardi property, payable in monthly payments of \$6,333 including interest at 5.68%.	-	1,050,000	14,495	1,035,505	35,774
Long-term landfill closure and postclosure liability, see note 11.	1,349,322	106,966	-	1,456,288	-
Liability for compensated absences	537,177	115,785	-	652,962	139,081
Total	\$ 2,693,301	\$ 1,272,751	\$ 495,585	\$ 3,470,467	\$ 249,664

Notes to Financial Statements

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,	Note Payable/Carrabelle Lights		
	Principal	Interest	Total
2009	\$ 74,809	\$ 18,501	\$ 93,310
2010	79,059	14,251	93,310
2011	83,549	9,761	93,310
2012	88,295	5,015	93,310
Total	\$ 325,712	\$ 47,528	\$ 373,240

Amount due during year ending September 30,	Note Payable/Lombardi Property		
	Principal	Interest	Total
2009	\$ 35,774	\$ 40,226	\$ 76,000
2010	37,212	38,788	76,000
2011	38,708	37,292	76,000
2012	40,263	35,737	76,000
2013	41,881	34,119	76,000
2014-2018	236,047	143,953	380,000
2019-2023	287,450	92,550	380,000
2024-2028	318,170	30,166	348,336
Total	\$ 1,035,505	\$ 452,831	\$ 1,488,336

Long-term debt of the County's business-type activities for the year ended September 30, 2008, is as follows:

	Balance September 30, 2007	Additions	Deductions	Balance September 30, 2008	Due Within One Year
Office of Tourism, Trade, and Economic Development - loan #1 payable in quarterly payments of \$11,111 plus interest at 3%. Principal payments begin 8/31/08.	\$ 300,000	\$ -	\$ (10,714)	\$ 289,286	\$ 42,857
Office of Tourism, Trade, and Economic Development - loan #2 payable in quarterly payments of \$11,111 plus interest at 3%. Principal payments begin 11/30/08.	300,000	-	-	300,000	42,857

Franklin County, Florida

Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

	Balance September 30, 2007	Additions	Deductions	Balance September 30, 2008	Due Within One Year
Popular Leasing - sleep scanner lease payable in monthly payments of \$715.72 including interest at 9.25%.	\$ 11,986	\$ -	\$ (7,805)	\$ 4,181	\$ 4,181
GE - copier lease payable in monthly payments of \$744 including interest at 7%.	29,381	-	(7,099)	22,282	7,612
Popular Leasing – medical night cabinet lease payable in monthly payments of \$259 including interest at 10.8%.	11,600	-	(1,890)	9,710	2,105
Medicaid - settlement payable in quarterly installments of \$11,920.	166,884	-	(166,884)	-	-
NEC Financial Services – telephone system lease payable in monthly payments of \$662 including interest at 13.01%.		19,635	(5,721)	13,914	6,505
Liability for compensated absences	109,018	557	-	109,575	16,436
Total	\$ 928,869	\$ 20,192	\$ (200,113)	\$ 748,948	\$ 122,553

Maturities of Long-Term Debt

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

Amount due during year ending September 30,	<u>OTTED Loan #1</u>			<u>OTTED Loan #2</u>		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 42,857	\$ 8,097	\$ 50,954	\$ 42,857	\$ 8,518	\$ 51,375
2010	42,857	6,910	49,767	42,857	7,132	49,989
2011	42,857	5,595	48,452	42,857	5,916	48,773
2012	42,857	4,339	47,196	42,857	4,661	47,518
2013	42,857	3,054	45,911	42,857	3,375	46,232
2014 - 2015	75,001	2,280	77,281	85,715	2,923	88,638
Total notes payable	\$ 289,286	\$ 30,275	\$319,561	\$ 300,000	\$ 32,525	\$332,525

Franklin County, Florida

Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

Amount due during year ending September 30,	Sleep Scanner			Copier		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 4,181	\$ 114	\$ 4,295	\$ 7,612	\$ 1,319	\$ 8,931
2010	-	-	-	8,163	768	8,931
2011	-	-	-	6,507	191	6,698
Total	\$ 4,181	\$ 114	\$ 4,295	\$ 22,282	\$ 2,278	\$ 24,560

Amount due during year ending September 30,	Night Cabinet			Telephone		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 2,105	\$ 947	\$ 3,052	\$ 6,505	\$ 1,439	\$ 7,944
2010	2,344	708	3,052	7,409	535	7,944
2011	2,610	442	3,052	-	-	-
2012	2,651	401	3,052	-	-	-
Total	\$ 9,710	\$ 2,498	\$ 12,208	\$ 13,914	\$ 1,974	\$ 15,888

NOTE 8 – EMPLOYEE BENEFITS

Retirement Plan

Plan Description

The County participates in the Florida Retirement System (System), a cost sharing, multiple-employer defined pension plan administered by the State of Florida Department of Administration, Division of Retirement. The System provides retirement, disability benefits, and death benefits to plan members or their designated beneficiaries. Chapter 121, Florida Statutes, established the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. Chapter 121 of the Florida Statutes assigns the authority to establish and amend benefits provisions to the Florida Retirement System. However, Article X, Section 14 of the State of Florida Constitution and Part VII, Chapter 112 of the Florida Statutes require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State of Florida Division of Retirement, 1317 Winewood Boulevard, Building 8, Tallahassee, Florida 32399-6570 or by calling 850-414-6346.

Notes to Financial Statements

NOTE 8 – EMPLOYEE BENEFITS (CONTINUED)**Funding Policy**

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

Retirement coverage is employee noncontributory. The rates as a percentage of gross earnings, are as follows:

	October 1, 2007 Through June 30, 2008	July 1, 2008 Through September 30, 2008
Regular employees	9.85%	9.85%
Senior management	13.12%	13.12%
Elected County officials	16.53%	16.53%
Special risk employees	20.92%	20.92%
DROP plan participants	10.91%	10.91%

Contribution rates equal actuarial determined rates. During the year ended September 30, 2008, total payroll for all employees and the retirement contributions for all employees covered by FRS were as follows:

	Covered Payroll	Retirement Contributions
Board of County Commissioners	\$ 2,152,128	\$ 229,834
Clerk of the Circuit Court	677,116	77,670
Sheriff	3,055,552	559,890
Property Appraiser	428,275	46,266
Tax Collector	333,322	35,988
Supervisor of Elections	157,584	18,028
Total	\$ 6,803,977	\$ 967,676

The County's contributions to the Plan for the years ended September 30, 2008, 2007 and 2006 were \$967,676, \$1,015,642 and \$825,374 respectively, which equal the required contributions. For the year ended September 30, 2008, retirement contributions represent 14% of the County's total covered payroll.

Notes to Financial Statements

NOTE 9 – FUND EQUITY**Reserved Fund Equity**

Reservations of equity show amounts that are not appropriated for expenditure or are legally restricted for specific uses. The purpose for each is indicated as follows:

Funds	Purpose	Amount
Board of County Commissioners Special revenue	Landfill escrow	\$ 692,291
Total		\$ 692,291

NOTE 10 – 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 \$3,500,000 for professional liability and \$3,300,000 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 no 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:

Notes to Financial Statements

NOTE 10 – RISK MANAGEMENT (CONTINUED)

- 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 11 – 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 \$692,291 at September 30, 2008. 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 County. In the event operations were to resume at the Class I landfill, there are about two years remaining capacity. Currently, the County also operates a Class III landfill.

State and federal laws and regulations require the County to place a final cover on its landfill sites when it stops accepting waste, and to perform certain maintenance and monitoring functions at the site for approximately thirty years after closure. The \$1,456,288 amount reported as landfills closure and postclosure care liability at September 30, 2008 (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 12% of the Class III (expansion) landfill estimated capacity. Total estimated costs are projected at \$666,787 for closure and \$2,380,363 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*.

NOTE 12 – 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 building permits to them. In the opinion of management, after consultation with legal counsel, these matters will be resolved without a material adverse effect on the County's financial position.

NOTE 13 – LEASE OF FRANKLIN COUNTY AIRPORT

The County leases out the Franklin County Airport under a twenty-year lease expiring in the year 2012, with up to four renewal options available aggregating an additional twenty-five years. The lessee paid the County the negotiated sum of \$1,500 monthly for hangar rental and parking space based on the terms of the lease for the year ended September 30, 2008. The County also receives five cents per gallon for all aviation fuel sold at the airport and 5% of the net monthly rental for the area utilized for T-hangars.

NOTE 14 – 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 \$300,000 in annual revenue.

NOTE 15 – PRIOR PERIOD ADJUSTMENT

The beginning retained earnings for the Hospital have been increased by \$200,000 to reflect a correction of an anticipated liability accrued in prior years for collection expenses that will not be incurred.

Combining Financial Statements

Franklin County, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2008

	<u>Special Revenue</u>					
	County Road and Bridge	911 Trust	Landfill	Sheriff's Special Revenue Funds	Pier	Fire Protection
Assets						
Cash and cash equivalents	\$ 50,136	\$ 262,333	\$ 170,364	\$ 101,194	\$ 5,125	\$ 56,751
Equity in pooled cash	152,070	-	692,291	-	1,632,264	-
Due from other funds	19,353	-	-	-	-	-
Due from other governmental units	180,043	15,728	-	1,404	-	-
Accounts receivable, net	7,489	-	33,225	-	-	3,526
Total assets	\$ 409,091	\$ 278,061	\$ 895,880	\$ 102,598	\$ 1,637,389	\$ 60,277
Liabilities and fund balances						
Liabilities						
Customer deposits	\$ -	\$ -	\$ 10,500	\$ -	\$ -	\$ -
Vouchers payable	33,635	102	30,705	-	-	-
Due to other governmental units	38	-	-	-	-	35,157
Due to other funds	-	-	-	-	-	25,120
Deferred revenue	-	164,747	-	-	-	-
Total liabilities	33,673	164,849	41,205	-	-	60,277
Fund balances						
Reserved for landfill escrow	-	-	692,291	-	-	-
Unreserved	375,418	113,212	162,384	102,598	1,637,389	-
Total fund balances	375,418	113,212	854,675	102,598	1,637,389	-
Total liabilities and fund balances	\$ 409,091	\$ 278,061	\$ 895,880	\$ 102,598	\$ 1,637,389	\$ 60,277

(Continued)

Franklin County, Florida
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
September 30, 2008

	Special Revenue					
	Airport	Recycling	Bald Point Trust Fund	Library	Tourist Development	Emergency Medical Services
Assets						
Cash and cash equivalents	\$ 96,764	\$ 48,584	\$ 101,629	\$ 69,275	\$ 582,348	\$ -
Equity in pooled cash	-	44,834	293,604	-	72,909	-
Due from other funds	-	-	-	104	-	-
Due from other governmental units	233,504	-	9,726	-	103,237	-
Accounts receivable, net	3,345	7,370	-	-	-	-
Total assets	\$ 333,613	\$ 100,788	\$ 404,959	\$ 69,379	\$ 758,494	\$ -
Liabilities and fund balances						
Liabilities						
Customer deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Vouchers payable	211,766	-	841	7,440	39,449	-
Due to other governmental units	-	-	-	-	-	-
Due to other funds	52,105	-	-	886	-	-
Deferred revenue	-	-	-	-	-	-
Total liabilities	263,871	-	841	8,326	39,449	-
Fund balances						
Reserved for landfill escrow	-	-	-	-	-	-
Unreserved	69,742	100,788	404,118	61,053	719,045	-
Total fund balances	69,742	100,788	404,118	61,053	719,045	-
Total liabilities and fund balances	\$ 333,613	\$ 100,788	\$ 404,959	\$ 69,379	\$ 758,494	\$ -

(Continued)

Franklin County, Florida
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
September 30, 2008

	Special Revenue				
	Mosquito Control	Boating Improvement	Clerk Modernization Trust Fund	Property Appraisers Special Revenue Funds	Law Enforcement Educational Trust
Assets					
Cash and cash equivalents	\$ 26,890	\$ 49,544	\$ 153,924	\$ 536	\$ 58,177
Equity in pooled cash	21,239	-	-	-	-
Due from other funds	494	-	5,391	-	286
Due from other governmental units	18,988	213,290	-	-	-
Accounts receivable, net	-	1,032	-	-	-
Total assets	\$ 67,611	\$ 263,866	\$ 159,315	\$ 536	\$ 58,463
Liabilities and fund balances					
Liabilities					
Customer deposits	\$ -	\$ -	\$ -	\$ -	\$ -
Vouchers payable	9,057	10,370	5,390	-	-
Due to other governmental units	-	-	-	-	-
Due to other funds	2,291	180,258	61	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	11,348	190,628	5,451	-	-
Fund balances					
Reserved for landfill escrow	-	-	-	-	-
Unreserved	56,263	73,238	153,864	536	58,463
Total fund balances	56,263	73,238	153,864	536	58,463
Total liabilities and fund balances	\$ 67,611	\$ 263,866	\$ 159,315	\$ 536	\$ 58,463

(Continued)

Franklin County, Florida
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
September 30, 2008

	Special Revenue			Capital Projects		Total Nonmajor Governmental Funds
	Neighborhood Revitalization CDBG	Law Enforcement Trust	Hospital Trust	Debt Service Jail Bonds	Capital Projects	
Assets						
Cash and cash equivalents	\$ 41,856	\$ 3,084	\$ 558,317	\$ 7,604	\$ 205,514	\$ 2,649,949
Equity in pooled cash	-	-	-	520,692	542,786	3,972,689
Due from other funds	9,560	-	-	-	-	35,188
Due from other governmental units	-	-	236,745	-	-	1,012,665
Accounts receivable, net	-	-	-	-	-	55,987
Total assets	\$ 51,416	\$ 3,084	\$ 795,062	\$ 528,296	\$ 748,300	\$ 7,726,478
Liabilities and fund balances						
Liabilities						
Customer deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,500
Vouchers payable	-	-	-	-	-	348,755
Due to other governmental units	-	-	-	-	-	35,195
Due to other funds	41,856	-	48,652	-	-	351,229
Deferred revenue	-	-	-	-	-	164,747
Total liabilities	41,856	-	48,652	-	-	910,426
Fund balances						
Reserved for landfill escrow	-	-	-	-	-	692,291
Unreserved	9,560	3,084	746,410	528,296	748,300	6,123,761
Total fund balances	9,560	3,084	746,410	528,296	748,300	6,816,052
Total liabilities and fund balances	\$ 51,416	\$ 3,084	\$ 795,062	\$ 528,296	\$ 748,300	\$ 7,726,478

Franklin County, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended September 30, 2008

	Special Revenue					
	County Road and Bridge	911 Trust	Landfill	Sheriff's Special Revenue Funds	Pier	Fire Protection
Revenues						
Taxes	\$ 16,758	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,097,728	15,580	-	17,063	-	-
Fines and forfeitures	-	-	-	52,053	-	-
Charges for services	-	48,090	537,640	-	-	-
Investment earnings and other	22,488	5,588	22,177	108,824	22,776	237,205
Total revenues	1,136,974	69,258	559,817	177,940	22,776	237,205
Expenditures						
Current						
General government	-	-	-	-	-	-
Public safety	-	55,869	-	106,554	-	237,205
Physical environment	-	-	414,317	-	-	-
Transportation	1,452,355	-	-	-	-	-
Human services	-	-	-	-	-	-
Culture and recreation	-	-	-	-	26,992	-
Capital outlay	6,425	12,197	-	27,763	-	-
Debt service	-	-	-	-	-	-
Total expenditures	1,458,780	68,066	414,317	134,317	26,992	237,205
Excess (deficit) of revenues over (under) expenditures	(321,806)	1,192	145,500	43,623	(4,216)	-
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	(304,000)	(16,283)	-	-
Total other financing sources (uses)	-	-	(304,000)	(16,283)	-	-
Net change in fund balances	(321,806)	1,192	(158,500)	27,340	(4,216)	-
Fund balances - beginning	697,224	112,020	1,013,175	75,258	1,641,605	-
Fund balances - ending	\$ 375,418	\$ 113,212	\$ 854,675	\$ 102,598	\$ 1,637,389	\$ -

(Continued)

Franklin County, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
Year Ended September 30, 2008

	Special Revenue					
	Airport	Recycling	Bald Point Trust Fund	Library	Tourist Development	Emergency Medical Services
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 774,166	\$ -
Intergovernmental	798,419	-	104,957	86,796	-	129
Fines and forfeitures	-	-	-	-	-	-
Charges for services	-	54,673	-	-	-	-
Investment earnings and other	31,530	2,046	19,062	9,452	15,889	3
Total revenues	829,949	56,719	124,019	96,248	790,055	132
Expenditures						
Current						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	194
Physical environment	-	-	-	-	-	-
Transportation	266,330	-	138,317	-	-	-
Human services	-	-	-	-	-	-
Culture and recreation	-	-	-	242,227	669,781	-
Capital outlay	549,964	-	-	22,123	170,772	-
Debt service	-	-	-	-	31,667	-
Total expenditures	816,294	-	138,317	264,350	872,220	194
Excess (deficit) of revenues over (under) expenditures	13,655	56,719	(14,298)	(168,102)	(82,165)	(62)
Other financing sources (uses)						
Transfers in	-	-	-	196,636	-	-
Transfers out	-	-	-	-	(50,000)	-
Total other financing sources (uses)	-	-	-	196,636	(50,000)	-
Net change in fund balances	13,655	56,719	(14,298)	28,534	(132,165)	(62)
Fund balances - beginning	56,087	44,069	418,416	32,519	851,210	62
Fund balances - ending	\$ 69,742	\$ 100,788	\$ 404,118	\$ 61,053	\$ 719,045	\$ -

(Continued)

Franklin County, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
Year Ended September 30, 2008

	Special Revenue				
	Mosquito Control	Boating Improvement	Clerk Modernization Trust Fund	Property Appraisers Special Revenue Funds	Law Enforcement Educational Trust
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	37,488	781,014	3,252	-	-
Fines and forfeitures	-	-	-	-	4,571
Charges for services	-	-	41,677	2,104	-
Investment earnings and other	5,147	1,767	-	11	1,146
Total revenues	42,635	782,781	44,929	2,115	5,717
Expenditures					
Current					
General government	-	-	8,217	-	-
Public safety	-	-	26,018	-	-
Physical environment	-	-	-	-	-
Transportation	-	-	-	-	-
Human services	179,227	-	-	-	-
Culture and recreation	-	-	-	-	-
Capital outlay	2,280	824,799	12,606	-	-
Debt service	-	-	-	-	-
Total expenditures	181,507	824,799	46,841	-	-
Excess (deficit) of revenues over (under) expenditures	(138,872)	(42,018)	(1,912)	2,115	5,717
Other financing sources (uses)					
Transfers in	154,420	-	-	-	-
Transfers out	-	-	-	(5,765)	-
Total other financing sources (uses)	154,420	-	-	(5,765)	-
Net change in fund balances	15,548	(42,018)	(1,912)	(3,650)	5,717
Fund balances - beginning	40,715	115,256	155,776	4,186	52,746
Fund balances - ending	\$ 56,263	\$ 73,238	\$ 153,864	\$ 536	\$ 58,463

(Continued)

Franklin County, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
Year Ended September 30, 2008

	Special Revenue			Capital Projects		Total Nonmajor Governmental Funds
	Neighborhood Revitalization CDBG	Law Enforcement Trust	Hospital Trust	Debt Service Jail Bonds	Capital Projects	
Revenues						
Taxes	\$ -	\$ -	\$ 1,182,513	\$ -	\$ -	\$ 1,973,437
Intergovernmental	70,000	-	-	140,500	-	3,152,926
Fines and forfeitures	-	-	-	-	-	56,624
Charges for services	-	-	-	-	-	684,184
Investment earnings and other	-	52	3,241	19,108	16,640	544,152
Total revenues	70,000	52	1,185,754	159,608	16,640	6,411,323
Expenditures						
Current						
General government	-	-	-	-	-	8,217
Public safety	-	-	-	-	-	425,840
Physical environment	70,000	-	-	-	-	484,317
Transportation	-	-	-	-	-	1,857,002
Human services	-	-	-	-	-	179,227
Culture and recreation	-	-	-	-	-	939,000
Capital outlay	-	-	2,500	-	-	1,631,429
Debt service	-	-	-	240,493	-	272,160
Total expenditures	70,000	-	2,500	240,493	-	5,797,192
Excess (deficit) of revenues over (under) expenditures	-	52	1,183,254	(80,885)	16,640	614,131
Other financing sources (uses)						
Transfers in	-	-	-	-	204,353	555,409
Transfers out	-	-	(436,844)	-	-	(812,892)
Total other financing sources (uses)	-	-	(436,844)	-	204,353	(257,483)
Net change in fund balances	-	52	746,410	(80,885)	220,993	356,648
Fund balances - beginning	9,560	3,032	-	609,181	527,307	6,459,404
Fund balances - ending	\$ 9,560	\$ 3,084	\$ 746,410	\$ 528,296	\$ 748,300	\$ 6,816,052

Franklin County, Florida
 Combining Balance Sheet
 Agency Funds
 September 30, 2008

Agency Funds - Clerk

	Trust Funds	Registry of Court	Child Support
Assets			
Cash and cash equivalents	\$ 62,973	\$ 47,303	\$ 344
Total assets	\$ 62,973	\$ 47,303	\$ 344
Liabilities			
Due to individuals	\$ -	\$ 47,303	\$ 344
Due to other funds	42,388	-	-
Due to other governments	20,585	-	-
Deposits	-	-	-
Installments	-	-	-
Total liabilities	\$ 62,973	\$ 47,303	\$ 344

(Continued)

Franklin County, Florida
 Combining Balance Sheet
 Agency Funds (Continued)
 September 30, 2008

	<u>Agency Funds - Sheriff</u>		<u>Agency Funds - Tax Collector</u>		
	Bonds	Inmate Trust	Tax	Tag Agency	Total
Assets					
Cash and cash equivalents	\$ 35,214	\$ 1,812	\$ 44,545	\$ 11,661	\$ 203,852
Total assets	\$ 35,214	\$ 1,812	\$ 44,545	\$ 11,661	\$ 203,852
Liabilities					
Due to individuals	\$ 35,214	\$ 1,812	\$ -	\$ -	\$ 84,673
Due to other funds	-	-	-	-	42,388
Due to other governments	-	-	32,970	6,208	59,763
Deposits	-	-	931	-	931
Installments	-	-	10,644	5,453	16,097
Total liabilities	\$ 35,214	\$ 1,812	\$ 44,545	\$ 11,661	\$ 203,852

Compliance Section

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

We have audited the financial statements of Franklin County, Florida (County) as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated March 31, 2009.

We conducted our audit in accordance with United States generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports, which are dated March 31, 2009, should be considered in conjunction with this management letter.

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

Section 10.554(1)(i)1., Rules of the Auditor General requires that we determine whether or not the corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The recommendations made in the preceding annual financial audit report have been corrected.

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

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any findings and recommendations to improve financial management. In connection with our audit, there were no such findings or recommendations.

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

Section 10.554(1)(i)5., Rules of the Auditor General provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosure from the financial statements); (b) failures to properly record financial transactions; or (c) inaccuracies, shortages, defalcations, or instances of fraud discovered by, or that came to the attention of the auditor. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. 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 financial statements.

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

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for Franklin County, Florida for the fiscal year ended September 30, 2008, 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, 2008. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the County's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information of the Board of County Commissioners, management, and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

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

March 31, 2009

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Franklin County, Florida as of and for the year ended September 30, 2008, which collectively comprise Franklin County, Florida's basic financial statements and have issued our report thereon dated March 31, 2009. 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, we considered Franklin County, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on effectiveness of Franklin County, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Franklin County, Florida's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Franklin County, Florida's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Franklin County, Florida's financial statements that is more than inconsequential will not be prevented or detected by Franklin County, Florida's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting: 08-01 and 08-02.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented by Franklin County, Florida's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance and other matters

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

This report is intended solely for the information and use of the Board of County Commissioners, management, and appropriate federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

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

March 31, 2009

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

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

Compliance

We have audited the compliance of Franklin County, Florida with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the Executive Office of the Governor's State Projects Compliance Supplement that are applicable to each of its major federal programs and state projects for the year ended September 30, 2008. Franklin County, Florida's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and state projects is the responsibility of Franklin County, Florida's management. Our responsibility is to express an opinion on Franklin County, Florida's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, *Rules of the Auditor General*. Those standards, OMB Circular A-133 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 or state project occurred. An audit includes examining, on a test basis, evidence about Franklin County, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Franklin County, Florida's compliance with those requirements.

In our opinion, Franklin County, Florida, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal awards and state projects for the year ended September 30, 2008.

Internal Control Over Compliance

The management of Franklin County, Florida is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs and state projects. In planning and performing our audit,

we considered Franklin County, Florida's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purpose of expressing our opinion on but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Franklin County, Florida's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a major federal program or state project on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a major federal program or state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a major federal program or state project that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a major federal program or state project will not be prevented or detected by the entity's internal control.

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

Franklin County, Florida's responses to the findings identified in our audit are described in the accompanying management's response letter. We did not audit Franklin County, Florida's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of County Commissioners, management, and appropriate federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

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

March 31, 2009

Franklin County, Florida
 Schedule of Expenditures of Federal Awards
 and State Financial Assistance
 Year Ended September 30, 2008

Federal Award Programs	CFDA Number	Contract /Grant Number	Expenditures
U.S. Department of Justice			
Passed through Florida Department of Law Enforcement			
Edward Byrne Memorial Formula Grant			
Narcotics Task Force	16.579	2008-JAGC-FRAN-1-Q9-165	\$ 71,690
Edward Byrne Law Enforcement Grant	16.579	2008-JAGC-FRAN-2-Q0-009	1,878
Bulletproof Vest Partnership Program	16.607	n/a	2,029
Passed through Office of the Attorney General			
Victims of Crime Act	16.575	V7132	17,099
Total U.S. Department of Justice			92,696
U.S. Department of Homeland Security			
Passed through Florida Department of Community Affairs			
Homeland Security Grant (ODP)	97.067	07-DS-5N-02-29-01-395	1,383
Homeland Security Grant (ODP)	97.067	08DS-60-02-29-01-167	8,136
CDBG - Engineering/Design Grant - EPWSD	14.228	07DB-3R-02-29-01-PS5	70,000
Emergency Management Performance Grant	97.042	08-BG-24-02-29-01-300	22,423
Total U.S. Department of Homeland Security			101,942
U.S. Department of Transportation			
Passed through Florida Department of Transportation			
Impaired Driving Enforcement	20.600	AP072	21,156
Bluff Road Pedestrian/Bike Path	20.205	412680-1-38-01	335,006
SIG Multi-Use Path (Phase III)	20.205	221381-2-38-01	568,088
Total U.S. Department of Transportation			924,250
National Forest/Timber Products Trust Fund			
Passed through Florida Department of Banking and Finance			
National Forest Funds	10.665	n/a	13,492
Total National Forest/Timber Products Trust Fund			13,492
U.S. Department of Health & Human Services			
Passed through Florida Department of Revenue			
Rural Hospital Flexibility Grant	93.241	n/a	8,550
Small Hospital Improvement Grant	93.301	n/a	83,366
Child Support Enforcement Title IV-D CSE	93.563	n/a	45,431
Child Support Enforcement	93.563	T02-19	1,808
Total U.S. Department of Health & Human Services			139,155
Total Expenditures of Federal Awards			\$ 1,271,535

(Continued)

Franklin County, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance (Continued)
Year Ended September 30, 2008

State Financial Assistance Projects	CSFA Number	Contract/Grant Number	Expenditures
Florida Housing Finance Agency			
State Housing Initiatives Partnership (SHIP) Program	52.901	2006/2007	\$ 319,941
State Housing Initiatives Partnership (SHIP) Program	52.901	2007/2008	316,394
Total Florida Housing Finance Agency			636,335
Department of Transportation			
Aviation Development Grants			
Rehab Runway 13-31	55.004	AOB92	15,000
Airport Land Survey and Appraisal	55.004	AOZ25	6,700
Airport Equipment Purchase	55.004	AOL62	27,923
Airport Tractor and Front End Loader	55.004	AOZ97	53,095
Airport Update/Add Security Fence	55.004	AOO20	240
Airport Construct/Extend Entrance Road	55.004	AO271	133,258
Airport Relocate/Rehab Fuel Farm	55.004	ANV70	19,990
Airport Corporate Hangar/Office	55.004	AOB91	296,186
Airport Drainage System Repair\	55.004	AOL60	357
Airport Rehab Runway 6-24	55.026	AOV07	245,670
TRIP - CR30A Road Bank Renourishment	55.026	422453-1	50,000
SCOP - Co. Road 300	55.009	42406015801	9,217
SCOP - Co. Road 370	55.009	AOZ81	224,279
SCOP - Co. Road 376	55.009	42406215801	1,545
CIGP - Co. Road 67	55.008	42150815801	109,110
Total Department of Transportation			1,192,570
Department of Environmental Protection			
Alligator Point Beach Restoration	37.003	06FR1	7,697
Alligator Point Beach Restoration	37.065	07FR1	97,260
Small County Consolidated Grants			
Consolidated Solid Waste Management Grant	37.012	SC7808	277,316
Special Recreation Assistance Projects			
FRDAP - Carrabelle Recreation Park	37.071	L0702	307,138
St. George Island Lighthouse Park	37.071	L0711	17,780
Lombardis Seafood Landing Park	37.071	L0813	13,239
Vrooman Park	37.071	L0814	3,923
FRDAP - Carrabelle Recreation Park phase III	37.017	F7046	53,099
Total Department of Environmental Protection			777,452
Department of Health			
Rural Hospital Improvement Grant	64.002	n/a	10,218
EMS Matching Grant	64.003	n/a	2,500
LP County EMS Grant	64.005	C4019	108
LP County EMS Grant	64.005	C5019	21
Total Department of Health			12,847
Department of Community Affairs			
Emergency Management Preparedness Grant	52.008	08BG-24-02-29-01-300	102,959
DCA Planning Grant	52.033	08-DR-90-02-29-01-010	100,000
Total Department of Community Affairs			202,959

(Continued)

Franklin County, Florida
 Schedule of Expenditures of Federal Awards
 and State Financial Assistance (Continued)
 Year Ended September 30, 2008

State Financial Assistance Projects	CSFA Number	Contract/Grant Number	Expenditures
Department of State			
State Aid to Libraries	45.030	08-ST-92	\$ 86,796
Total Department of State			86,796
Department of Agriculture			
Lombardi Boat Ramp Project	42.015	013986	138,600
Mosquito Control-State	42.003	n/a	37,488
Total Department of Agriculture			176,088
Office of Tourism, Trade and Economic Development			
Regional Utility Study Grant	31.008	OT07-042	195,000
Total Office of Tourism, Trade and Economic Development			195,000
State Courts System - Office of Court Administration			
Courthouse Facilities Grant	22.004	n/a	457,026
Total Office of Court Administration			457,026
Total Expenditures of State Financial Assistance			\$ 3,737,073

Franklin County, Florida
 Schedule of Findings and Questioned Costs
 Year Ended September 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified
 Internal control over financial reporting
 Material weakness(es) identified? ___ yes X no
 Significant deficiency(ies) identified not
 considered to be material weaknesses? X yes ___ none reported
 Noncompliance material to financial statements noted? ___ yes X no

Federal Awards and State Financial Assistance

Internal control over major programs
 Material weakness(es) identified? ___ yes X no
 Significant deficiency(ies) identified not
 considered to be material weaknesses? ___ yes X none reported

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

Any audit findings disclosed that are required
 to be reported in accordance with Circular A-133, Section
 .510(a) or Section 10.557, Rules of the Auditor General? ___ yes X no

Identification of major federal awards/state projects:

<u>CFDA/CSFA Number</u>	<u>Name of Federal Award/State Financial Assistance Project</u>
20.205	U.S. Department of Transportation Highway Planning and Construction
22.004	State of Florida Courts System Small County Courthouse Facilities
37.012	State of Florida Department of Environmental Protection Small County Consolidated Grants
37.071	State of Florida Department of Environmental Protection Special Recreation Assistance Projects
52.901	Florida Housing Finance Agency State Housing Initiatives Partnership
55.026	State of Florida Department of Transportation Transportation Regional Incentive Program (TRIP)

(Continued)

Franklin County, Florida
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2008

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

Auditee qualified as low-risk auditee? X yes no

Section II - Financial Statement Findings

08-01 Significant Audit Adjustments

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

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

Management's response -

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

08-02 Inadequate Design of Internal Controls

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

Inadequate design of internal control over the preparation of the financial statements being audited gives rise to a significant deficiency in internal control.

Management's response -

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

08-03 Need for Segregation of Duties

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

Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate. Proper segregation of duties includes the requirement that no single person has (1) the ability to authorize transactions, (2) access to assets, and (3) the ability to record financial transactions. The failure to maintain separation of these functions subjects the County to the risk that material misstatements or fraud may occur and not be detected by employees in a timely manner during the performance of their assigned tasks. The limited number of employees within certain offices precludes ideal segregation of duties. We recommend that in the absence of the ability to hire additional employees, alternative procedures, including additional oversight with regard to certain functions, be performed regularly to mitigate the risk caused by this deficiency in internal controls.

(Continued)

Franklin County, Florida
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2008

Management's response -

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

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

No such findings or questioned costs in the current year.

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

No such findings or questioned costs in the current year.

Section V - Other Issues

No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to major federal programs or state financial assistance projects.

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

Franklin County, Florida
Notes to Schedule of Expenditures of
Federal Awards and State Financial Assistance
Year Ended September 30, 2008

NOTE 1 – BASIS OF ACCOUNTING

The supplementary schedule of expenditures of federal awards and state financial assistance includes the grant activity of the County. The schedule is 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 Numbers 14 and 39.

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 state financial assistance.

Franklin County, Florida
Clerk of Circuit Court

Special-Purpose
Financial Statements

September 30, 2008

Franklin County Clerk of Circuit Court
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September 30, 2008

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying special-purpose financial statements of the Franklin County, Florida, Clerk of Circuit Court as of and for the year ended September 30, 2008, as listed in the table of contents. These special-purpose financial statements are the responsibility of Franklin County Clerk's management. Our responsibility is to express an opinion on these special-purpose 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 special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall special-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1, the special-purpose financial statements referred to above have been prepared for the purpose of complying with, and on the basis of, accounting practices specified by the Rules of the State of Florida Office of the Auditor General, and are not intended to be a complete presentation under Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*. Additionally, the special-purpose financial statements present only the Clerk and are not intended to present fairly the financial position and changes in financial position of Franklin County, Florida, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Clerk as of September 30, 2008, and the results of her operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 31, 2009 on our consideration of the Clerk's internal control over financial reporting and our tests of her compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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

Caru, Riggs & Ingram, L.L.C.

March 31, 2009

Franklin County Clerk of the Circuit Court
Special-Purpose Balance Sheet
Governmental Funds
September 30, 2008

	General Fund	Fine and Forfeitures Trust Fund	Other Governmental Fund - Modernization Trust Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 294,880	\$ 165,720	\$ 153,924	\$ 614,524
Due from other funds	31,581	26,253	5,391	63,225
Due from other governmental units	8,284	-	-	8,284
Total assets	\$ 334,745	\$ 191,973	\$ 159,315	\$ 686,033
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 7,672	\$ 36,269	\$ 5,390	\$ 49,331
Due to other funds	325,448	1,705	61	327,214
Due to other governmental units	-	153,999	-	153,999
Due to Board of County Commissioners	1,625	-	-	1,625
Total liabilities	334,745	191,973	5,451	532,169
Fund balances				
Reserved for records modernization	-	-	153,864	153,864
Total liabilities and fund balances	\$ 334,745	\$ 191,973	\$ 159,315	\$ 686,033

See accompanying notes

Franklin County Clerk of the Circuit Court
Special-Purpose Statement of Revenues,
Expenditures, and Changes in Fund Balances - Governmental Funds
Year Ended September 30, 2008

	General Fund	Fine and Forfeitures Trust Fund	Other Governmental Fund - Modernization Trust Fund	Total Governmental Funds
Revenues				
Charges for services	\$ 108,136	\$ 392,317	\$ 41,677	\$ 542,130
Intergovernmental revenue	45,431	291,676	3,252	340,359
Investment income	278,610	4,226	-	282,836
Total revenues	432,177	688,219	44,929	1,165,325
Expenditures				
General government				
Current				
Personal services	367,937	-	-	367,937
Operating expenditures	60,599	-	-	60,599
Capital outlay	12,971	-	-	12,971
Court-related				
Current				
Personal services	22,991	496,484	-	519,475
Operating expenditures	934	32,079	34,235	67,248
Capital outlay	-	5,658	12,606	18,264
Total expenditures	465,432	534,221	46,841	1,046,494
Excess (deficit) of revenues over (under) expenditures	(33,255)	153,998	(1,912)	118,831
Other financing sources (uses)				
Transfers from Board of County Commissioners	358,703	-	-	358,703
Transfers to Board of County Commissioners	(325,448)	-	-	(325,448)
Reversion to State of Florida	-	(153,998)	-	(153,998)
Total other financing sources (uses)	33,255	(153,998)	-	(120,743)
Net change in fund balances	-	-	(1,912)	(1,912)
Fund balances - beginning	-	-	155,776	155,776
Fund balances - ending	\$ -	\$ -	\$ 153,864	\$ 153,864

See accompanying notes

Franklin County Clerk of the Circuit Court
Special-Purpose Statement of Revenues,
Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended September 30, 2008

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Charges for services	\$ 129,500	\$ 129,500	\$ 108,136	\$ (21,364)
Intergovernmental revenue	30,000	30,000	45,431	15,431
Investment income	282,200	282,200	278,610	(3,590)
Total revenues	441,700	441,700	432,177	(9,523)
Expenditures				
General government				
Current				
Personal services	440,094	440,094	367,937	72,157
Operating expenditures	108,100	108,100	60,599	47,501
Capital outlay	225,000	225,000	12,971	212,029
Court-related				
Current				
Personal services	22,184	22,184	22,991	(807)
Operating expenditures	5,025	5,025	934	4,091
Total expenditures	800,403	800,403	465,432	334,971
Excess (deficit) of revenues over (under) expenditures	(358,703)	(358,703)	(33,255)	325,448
Other financing sources (uses)				
Transfers from Board of County Commissioners	358,703	358,703	358,703	-
Transfers to Board of County Commissioners	-	-	(325,448)	(325,448)
Total other financing sources (uses)	358,703	358,703	33,255	(325,448)
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

See accompanying notes

Franklin County Clerk of the Circuit Court
Special-Purpose Statement of Revenues,
Expenditures, and Changes in Fund Balance
Budget and Actual - Fine and Forfeitures Trust Fund
Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 376,977	\$ 376,977	\$ 392,317	\$ 15,340
Intergovernmental revenue	286,793	286,793	291,676	4,883
Investment income	5,042	5,042	4,226	(816)
Total revenues	668,812	668,812	688,219	19,407
Expenditures				
Court-related				
Current				
Personal services	514,248	514,248	496,484	17,764
Operating expenditures	93,763	93,763	32,079	61,684
Capital outlay	-	-	5,658	(5,658)
Total expenditures	608,011	608,011	534,221	73,790
Excess of revenues over expenditures	60,801	60,801	153,998	93,197
Other financing sources (uses)				
Reversion to State of Florida	(60,801)	(60,801)	(153,998)	(93,197)
Total other financing sources (uses)	(60,801)	(60,801)	(153,998)	(93,197)
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

See accompanying notes

Franklin County Clerk of the Circuit Court
Statement of Fiduciary Assets and Liabilities
Agency Funds
September 30, 2008

Assets

Cash and cash equivalents	\$	110,620
<hr/>		
Total assets	\$	110,620
<hr/>		

Liabilities

Due to individuals	\$	47,647
Due to other funds		42,388
Due to other governments		20,585
<hr/>		
Total liabilities	\$	110,620
<hr/>		

See accompanying notes

Notes to Special-Purpose Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 her financial information is included in Franklin County's county wide financial statements.

These special-purpose financial statements include the general fund 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 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.

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:

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.

Notes to Special-Purpose Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, other governments. Agency funds are custodial in nature and do not involve measurement of changes in financial position.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements and refers 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 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.

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.

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.

Franklin County Clerk of Circuit Court

Notes to Special-Purpose Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Clerk prepares her budget in three parts:

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

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 and the fine and forfeitures 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.

Cash and Cash Equivalents

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

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.

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

Notes to Special-Purpose Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Compensated Absences

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

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

Reserved Fund Balance

The public records trust fund reserved balance is set aside for records modernization purposes.

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 significantly from those estimates.

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

Notes to Special-Purpose Financial Statements

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

(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.

The Clerk held no investments at September 30, 2008.

Interest Rate Risk

At September 30, 2008, the Clerk did not hold any investments that were considered to be an interest rate risk.

Credit Risk

At September 30, 2008, the Clerk did not hold any investments that were considered to be a credit risk.

Custodial Risk

At September 30, 2008, the Clerk did not hold any deposits or investments that were considered to be a custodial risk.

Concentration of Credit Risk

At September 30, 2008, the Clerk did not hold any investments that were considered to be a concentration of credit risk.

NOTE 3 – EMPLOYEE BENEFITS

Retirement Plan

Pension Plan

In accordance with Florida law, the Clerk participates in the Florida Retirement System (FRS), a cost-sharing, multiple employer defined benefit public retirement system administered by the State of Florida Department of Administration, Division of Retirement, to provide retirement and survivor benefits to participating employees. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. FRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State of Florida Division of Retirement, 1317 Winewood Boulevard, Building 8, Tallahassee, Florida 32399-6570, or by calling 850-414-6347.

Franklin County Clerk of Circuit Court

Notes to Special-Purpose Financial Statements

NOTE 3 – EMPLOYEE BENEFITS (CONTINUED)

The System provides vesting of benefits after six years of creditable service. Members are eligible for normal retirement after six years of service and attaining age 62, or 30 years of service regardless of age. Early retirement may be taken any time after completing six years of service; however, there is a 5% benefit reduction for each year prior to normal retirement. FRS also provides death and disability benefits and cost-of-living adjustments. Generally, membership is compulsory for all full-time and part-time employees. Retirement coverage is noncontributory for employees.

Funding Policy

The funding method and the determination of benefits payable are provided in various acts of the Florida Legislature. These acts provide that employers, such as the Clerk, pay all contributions at rates determined each year by the legislature. The rates, as a percentage of gross earnings, are as follows:

	October 1, 2007 Through June 30, 2008	July 1, 2008 Through September 30, 2008
Regular employees	9.85%	9.85%
Senior management	13.12%	13.12%
Elected County officials	16.53%	16.53%
DROP plan participants	10.91%	10.91%

For the year ended September 30, 2008, the total covered payroll for all employees was \$677,116 and the retirement contributions for all employees covered by the System for the years ended September 30, 2008, 2007 and 2006 were \$77,670, \$81,255 and \$57,171, respectively, which equaled the required contributions. Current year contributions represented 11% of covered payroll.

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:

	Balance September 30, 2007	Additions	Deductions	Balance September 30, 2008
Accumulated compensated absences	\$ 20,399	\$ 2,047	\$ -	\$ 22,446

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

Franklin County Clerk of Circuit Court

Notes to Special-Purpose Financial Statements

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 employees' bond
- Workers' compensation
- 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, 2008.

Combining Financial Statements

Franklin County Clerk of the Circuit Court
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
September 30, 2008

	General Trust	Child Support	Registry of Court	Total Agency Funds
Assets				
Cash and cash equivalents	\$ 62,973	\$ 344	\$ 47,303	\$ 110,620
Total assets	\$ 62,973	\$ 344	\$ 47,303	\$ 110,620
Liabilities				
Due to individuals	\$ -	\$ 344	\$ 47,303	\$ 47,647
Due to other funds	42,388	-	-	42,388
Due to other governments	20,585	-	-	20,585
Total liabilities	\$ 62,973	\$ 344	\$ 47,303	\$ 110,620

Compliance Section

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

We have audited the special-purpose financial statements of the Franklin County, Florida, Clerk of Circuit Court as of and for the year ended September 30, 2008, and have issued our report thereon dated March 31, 2009.

We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated March 31, 2009, should be considered in conjunction with this management letter.

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

Section 10.554(1)(i)1., Rules of the Auditor General requires that we determine whether or not the corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.

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

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, there are no such recommendations.

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

Section 10.554(1)(i)5., Rules of the Auditor General provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosure from the financial statements); (b) failures to properly record financial transactions; or (c) inaccuracies, shortages, defalcations, or instances of fraud discovered by, or that came to the attention of the auditor. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The Clerk was established by the Constitution of the State of Florida, Article VIII, Section 1(d). The Clerk has no component units.

Section 10.554(1)(i)8., Rules of the Auditor General, requires a statement as to whether or not the clerk of the courts complied with Section 28.35, Florida Statutes, regarding the budget and performance standards certified by the Florida Clerk of Courts Operations Corporation. In connection with our audit, we determined that the Clerk complied with the budget and performance standards pursuant to Section 28.35, Florida Statutes.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information of the Clerk, the Board of County Commissioners, management, the Florida Auditor General, and certain federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Carri Riggs & Ingram, L.L.C.

March 31, 2009

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

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

We have audited the special-purpose financial statements of the Franklin County, Florida, Clerk of Circuit Court as of and for the year ended September 30, 2008, and have issued our report thereon dated March 31, 2009. 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. Our report on the financial statements included a paragraph explaining that the Clerk of Circuit Court is an integral part of Franklin County, Florida, the primary government for financial reporting purposes.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on effectiveness of the Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clerk's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Clerk's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Clerk's financial statements that is more than inconsequential will not be prevented or detected by the Clerk's internal control. We consider the following findings to be significant deficiencies in internal control over financial reporting.

08-01 Lack of segregation of duties - Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate. The limited number of employees precludes proper segregation of duties in the Clerk's office. We recommend that in the absence of the ability to hire additional employees, that alternative procedures, including additional oversight with regard to certain duties be

performed regularly to mitigate the risks caused by this lack of segregation of incompatible duties.

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

08-02 Significant adjustments to the financial records were made in order for the financial statements to conform to generally accepted accounting principles.

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

08-03 Inadequate design of internal control over the preparation of the financial statements being audited gives rise to a significant deficiency in internal control.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented by the Clerk's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiencies described above are material weaknesses.

Compliance and other matters

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

This report is intended solely for the information and use of the Clerk, the Board of County Commissioners, management, the State of Florida Office of the Auditor General, and certain federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

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

March 31, 2009

Franklin County, Florida
Sheriff

Special-Purpose
Financial Statements

September 30, 2008

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mike Mock
Franklin County Sheriff
Franklin County, Florida

We have audited the accompanying special-purpose financial statements of the Franklin County, Florida, Sheriff as of and for the year ended September 30, 2008, as listed in the table of contents. These special-purpose financial statements are the responsibility of the Franklin County Sheriff's management. Our responsibility is to express an opinion on these special-purpose 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 special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall special-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1, the special-purpose financial statements referred to above have been prepared for the purpose of complying with, and on the basis of, accounting practices specified by the Rules of the State of Florida Office of the Auditor General, and are not intended to be a complete presentation under Governmental Accounting Standards Board Statement Number 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Additionally, the special-purpose financial statements present only the Sheriff and are not intended to present fairly the financial position and changes in financial position of Franklin County, Florida, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Sheriff as of September 30, 2008, and the results of his operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 31, 2009, on our consideration of the Sheriff's internal control over financial reporting and our tests of his compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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

Caru, Riggs & Ingram, L.L.C.

March 31, 2009

Franklin County Sheriff
Special-Purpose Balance Sheet
Governmental Funds
September 30, 2008

	General Fund	Inmate Canteen	Forfeiture Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ -	\$ 75,092	\$ 20,288	\$ 5,815	\$ 101,195
Due from other governments	36,826	-	-	1,404	38,230
Due from Board of County Commissioners	14,552	-	-	-	14,552
Total assets	\$ 51,378	\$ 75,092	\$ 20,288	\$ 7,219	\$ 153,977
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 14,552	\$ -	\$ -	\$ -	\$ 14,552
Due to Board of County Commissioners	36,826	-	-	-	36,826
Total liabilities	51,378	-	-	-	51,378
Fund balances					
Unreserved	-	75,092	20,288	7,219	102,599
Total fund balances	-	75,092	20,288	7,219	102,599
Total liabilities and fund balances	\$ 51,378	\$ 75,092	\$ 20,288	\$ 7,219	\$ 153,977

See accompanying notes

Franklin County Sheriff
Special-Purpose Statement of Revenues, Expenditures,
and Changes in Fund Balances - Governmental Funds
Year Ended September 30, 2008

	General Fund	Inmate Canteen	Forfeiture Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Intergovernmental	\$ 164,200	\$ -	\$ -	\$ 17,063	\$ 181,263
Miscellaneous	230,180	100,754	52,053	8,070	391,057
Total revenues	394,380	100,754	52,053	25,133	572,320
Expenditures					
Public safety					
Law enforcement					
Current					
Personal services	2,784,204	-	18,514	4,347	2,807,065
Operating expenditures	987,230	-	-	9,485	996,715
Capital outlay	70,472	-	16,763	-	87,235
Total law enforcement	3,841,906	-	35,277	13,832	3,891,015
Corrections					
Current					
Personal services	1,080,594	74,208	-	-	1,154,802
Operating expenditures	228,851	-	-	-	228,851
Capital outlay	-	11,000	-	-	11,000
Total corrections	1,309,445	85,208	-	-	1,394,653
Total expenditures	5,151,351	85,208	35,277	13,832	5,285,668
Excess (deficit) of revenues over (under) expenditures	(4,756,971)	15,546	16,776	11,301	(4,713,348)
Other financing sources (uses)					
Budget appropriations from					
Board of County Commissioners	5,096,185	-	-	-	5,096,185
Transfers in	6,993	-	-	-	6,993
Transfers out	(346,207)	-	-	(16,283)	(362,490)
Total other financing sources (uses)	4,756,971	-	-	(16,283)	4,740,688
Net change in fund balances	-	15,546	16,776	(4,982)	27,340
Fund balances - beginning	-	59,546	3,512	12,201	75,259
Fund balances - ending	\$ -	\$75,092	\$ 20,288	\$ 7,219	\$ 102,599

See accompanying notes

Franklin County Sheriff
Special-Purpose Statement of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 164,200	\$ 164,200
Miscellaneous	-	-	230,180	230,180
Total revenues	-	-	394,380	394,380
Expenditures				
Public safety				
Law enforcement				
Current				
Personal services	2,875,827	2,875,827	2,784,204	91,623
Operating expenditures	1,076,351	1,076,351	987,230	89,121
Capital outlay	-	-	70,472	(70,472)
Total law enforcement	3,952,178	3,952,178	3,841,906	110,272
Corrections				
Current				
Personal services	864,942	864,942	1,080,594	(215,652)
Operating expenditures	279,065	279,065	228,851	50,214
Total corrections	1,144,007	1,144,007	1,309,445	(165,438)
Total expenditures	5,096,185	5,096,185	5,151,351	(55,166)
Excess (deficit) of revenues over (under) expenditures	(5,096,185)	(5,096,185)	(4,756,971)	339,214
Other financing sources				
Budget appropriations from				
Board of County Commissioners	5,096,185	5,096,185	5,096,185	-
Transfers in	-	-	6,993	6,993
Transfers out	-	-	(346,207)	(346,207)
Total other financing sources	5,096,185	5,096,185	4,756,971	(339,214)
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

See accompanying notes

Franklin County Sheriff
Statement of Fiduciary Assets and Liabilities
Agency Funds
September 30, 2008

Assets

Cash and cash equivalents	\$	37,026
Total assets	\$	37,026

Liabilities

Due to individuals	\$	37,026
Total liabilities	\$	37,026

See accompanying notes

Notes to Special-Purpose Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 his financial information is included in Franklin County's county wide financial statements.

These special-purpose financial statements include only the balances and activity of 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 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.

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:

Government 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.

Notes to Special-Purpose Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Fund Type

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.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Accordingly, it 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.

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.

Budgetary Requirements

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.

Notes to Special-Purpose Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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 significantly from those estimates.

Cash and Cash Equivalents

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

NOTE 2 – CASH AND INVESTMENTS

Deposits

All Sheriff's 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, 2008.

Interest Rate Risk

At September 30, 2008, the Sheriff did not hold any investments that were considered to be an interest rate risk.

Notes to Special-Purpose Financial Statements

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)***Credit Risk***

At September 30, 2008, the Sheriff did not hold any investments that were considered to be a credit risk.

Custodial Risk

At September 30, 2008, the Sheriff did not hold any deposits or investments that were considered to be a custodial risk.

Concentration of Credit Risk

At September 30, 2008, 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, 2008 are summarized as follows:

	Balance September 30, 2007	Increase	Decrease	Balance September 30, 2008
Machinery, furniture and equipment	\$ 2,508,302	\$ 98,235	\$ (89,541)	\$ 2,516,996
Accumulated depreciation	(1,484,648)	(253,727)	82,358	(1,656,017)
Capital assets - net	\$ 1,023,654	\$(155,492)	\$ (7,183)	\$ 860,979

NOTE 4 – EMPLOYEE BENEFITS***Retirement Plan*****Plan Description**

In accordance with Florida Law, the Sheriff participates in the Florida Retirement System (FRS), a cost-sharing, multiple-employer cost sharing defined benefit public retirement system administered by the State of Florida Department of Administration, Division of Retirement, to provide retirement and survivor benefits to participating public employees. Chapter 121, Florida Statutes establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. FRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by contacting the State of Florida Division of Retirement, 1317 Winewood Boulevard, Building 8, Tallahassee, Florida 32399-6570, or by calling 850-414-6346.

Notes to Special-Purpose Financial Statements

NOTE 4 – EMPLOYEE BENEFITS (CONTINUED)**Funding Policy**

The System provides vesting benefits after six years of creditable service. Members are eligible for normal retirement after six years of service and attaining age sixty-two, or thirty years of service regardless of age. Early retirement may be taken any time after completing six years of service; however, there is a 5% benefit reduction for each year prior to normal retirement.

FRS also provides death and disability benefits and cost-of-living adjustments. Generally, membership is compulsory for all full-time and part-time employees. Retirement coverage is noncontributory for employees.

The funding methods and the determination of benefits payable are provided in various acts of the Florida Legislature. These acts provide that employers pay all contributions at rates determined each year by the legislature. The rates, as a percentage of gross earnings, are as follows:

	October 1, 2007 Through June 30, 2008	July 1, 2008 Through September 30, 2008
Regular employees	9.85%	9.85%
Elected County officials	16.53%	16.53%
Special risk employees	20.92%	20.92%
DROP plan participants	10.91%	10.91%

For the year ended September 30, 2008, the total covered payroll for all employees was \$3,055,552 and the retirement contributions for all employees covered by FRS for the years ended September 30, 2008, 2007 and 2006 were \$559,890, \$586,926 and \$494,365, respectively, which equaled the required contributions. Current year contributions represented 18% of covered payroll.

NOTE 5 – CHANGES IN LONG-TERM OBLIGATIONS

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

	Balance September 30, 2007	Additions	Deductions	Balance September 30, 2008
Accumulated compensated absences	\$ 285,103	\$ 108,284	-	\$ 393,387

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.

Notes to Special-Purpose Financial Statements

NOTE 6 – OTHER DISCLOSURES

Budget amounts were not adopted for the nonmajor governmental special revenue funds. These funds accounted for commissions, forfeitures, and profits from operation of an inmate commissary.

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
- 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 \$3,500,000 for professional liability and \$3,500,000 for public officials' coverage.

NOTE 8 – BUDGETARY DATA

The Sheriff had actual expenditures that exceeded budgeted amounts in the general fund for the year. These amounts were offset by excess revenues earned.

Combining Financial Statements

AGENCY FUNDS

BONDS – Accounts for the receipt and disbursement of cash bonds.

INMATE TRUST – Accounts 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 Sheriff
Combining Balance Sheet - Other Governmental Funds-
Special Revenue Funds
September 30, 2008

	Narcotics Task Force Grant	Victims of Crime Act Grant	Nine West Settlement Grant	Employee Fund	Kids with Cops	Florida Sheriff Youth Ranch	Senior Citizen Fund	Total Nonmajor Governmental Funds
Assets								
Cash and cash equivalents	\$ 50	\$ -	\$ -	\$ 782	\$ 2,941	\$ 338	\$ 1,704	\$ 5,815
Due from other governments	-	1,404	-	-	-	-	-	1,404
Total assets	\$ 50	\$ 1,404	\$ -	\$ 782	\$ 2,941	\$ 338	\$ 1,704	\$ 7,219
Fund balances								
Unreserved	\$ 50	\$ 1,404	\$ -	\$ 782	\$ 2,941	\$ 338	\$ 1,704	\$ 7,219
Total fund balances	\$ 50	\$ 1,404	\$ -	\$ 782	\$ 2,941	\$ 338	\$ 1,704	\$ 7,219

Franklin County Sheriff
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Nonmajor Governmental Funds
Special Revenue Funds
Year Ended September 30, 2008

	Narcotics Task Force Grant	Victims of Crime Act Grant	Nine West Settlement Grant	Employee Fund
Revenues				
Intergovernmental	\$ -	\$ 17,063	\$ -	\$ -
Miscellaneous	50	-	233	3,631
Total revenues	50	17,063	233	3,631
Expenditures				
Public safety				
Law enforcement				
Current				
Personal services	-	-	4,347	-
Operating expenditures	-	2,264	-	3,226
Total expenditures	-	2,264	4,347	3,226
Excess (deficit) of revenues over (under) expenditures	50	14,799	(4,114)	405
Other financing sources (uses)				
Transfers out	-	(16,283)	-	-
Total other financing sources (uses)	-	(16,283)	-	-
Net change in fund balances	50	(1,484)	(4,114)	405
Fund balances - beginning of year	-	2,888	4,114	377
Fund balances - end of year	\$ 50	\$ 1,404	\$ -	\$ 782

(Continued)

Franklin County Sheriff
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Nonmajor Governmental Funds
Special Revenue Funds (Continued)
Year Ended September 30, 2008

	Kids with Cops	Florida Sheriff Youth Ranch	Senior Citizen Fund	Total Nonmajor Governmental Funds
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	17,063
Miscellaneous	3,069	2	1,085	8,070
Total revenues	3,069	2	1,085	25,133
Expenditures				
Public safety				
Law enforcement				
Current				
Personal services	-	-	-	4,347
Operating expenditures	1,847	-	2,148	9,485
Total expenditures	1,847	-	2,148	13,832
Excess (deficit) of revenues over (under) expenditures	1,222	2	(1,063)	11,301
Other financing sources (uses)				
Transfers out	-	-	-	(16,283)
Total other financing sources (uses)	-	-	-	(16,283)
Net change in fund balances	1,222	2	(1,063)	(4,982)
Fund balances - beginning of year	1,719	336	2,767	12,201
Fund balances - end of year	\$ 2,941	\$ 338	\$ 1,704	\$ 7,219

Franklin County Sheriff
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
Year Ended September 30, 2008

	Bonds	Inmate Trust	Totals
Assets			
Cash and cash equivalents	\$ 35,214	\$ 1,812	\$ 37,026
Total assets	\$ 35,214	\$ 1,812	\$ 37,026
Liabilities			
Due to individuals	\$ 35,214	\$ 1,812	\$ 37,026
Total liabilities	\$ 35,214	\$ 1,812	\$ 37,026

Compliance Section

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

The Honorable Mike Mock
Franklin County Sheriff
Franklin County, Florida

We have audited the special-purpose financial statements of the Franklin County, Florida Sheriff as of and for the year ended September 30, 2008, and have issued our report thereon dated March 31, 2009

We conducted our audit in accordance with United States generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated March 31, 2009, should be considered in conjunction with this management letter.

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

Section 10.554(1)(i)1., Rules of the Auditor General requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.

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

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

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

Section 10.554(1)(i)5., Rules of the Auditor General provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws,

regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosure from the financial statements); (b) failures to properly record financial transactions; or (c) inaccuracies, shortages, defalcations, or instances of fraud discovered by, or that came to the attention of the auditor. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The Franklin County Sheriff was established by the Constitution of the State of Florida, Article VIII, Section 1(d). The Franklin County Sheriff has no component units.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Sheriff, the Board of County Commissioners, management, the Florida Auditor General, and certain federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Carri Riggs & Ingram, L.L.C.

March 31, 2009

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

The Honorable Mike Mock
Franklin County Sheriff
Franklin County, Florida

We have audited the special-purpose financial statements of the Franklin County, Florida, Sheriff as of and for the year ended September 30, 2008, and have issued our report thereon dated March 31, 2009. 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. Our report on the financial statements included a paragraph explaining that the Sheriff is an integral part of Franklin County, the primary government for financial reporting purposes.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Sheriff's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Sheriff's financial statements that is more than inconsequential will not be prevented or detected by the Sheriff's internal control. We consider the following findings to be significant deficiencies in internal control over financial reporting.

08-01 Lack of segregation of duties - Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate. The limited number of employees precludes proper segregation of duties in the Sheriff's office. We recommend that in the absence of the ability to hire additional employees, that alternative procedures, including additional oversight with regard to certain duties be performed regularly to mitigate the risks caused by this lack of segregation of incompatible duties.

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

08-02 Significant adjustments to the financial records were made in order for the financial statements to conform to generally accepted accounting principles.

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

08-03 Inadequate design of internal control over the preparation of the financial statements being audited gives rise to a significant deficiency in internal control.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented by the Sheriff's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiencies described above are material weaknesses.

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*.

This report is intended solely for the information and use of the Sheriff, the Board of County Commissioners, management, the State of Florida Office of the Auditor General, and certain federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

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

March 31, 2009

Franklin County, Florida
Tax Collector

Special-Purpose
Financial Statements

September 30, 2008

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying special-purpose financial statements of the Franklin County, Florida, Tax Collector as of and for the year ended September 30, 2008, as listed in the table of contents. These special-purpose financial statements are the responsibility of the Franklin County Tax Collector's management. Our responsibility is to express an opinion on these special-purpose 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 special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall special-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1, the special-purpose financial statements referred to above have been prepared for the purpose of complying with, and on the basis of accounting practices specified by the Rules of the State of Florida Office of the Auditor General, and are not intended to be a complete presentation under Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Additionally, the special-purpose financial statements present only the Tax Collector and are not intended to present fairly the financial position and changes in financial position of Franklin County, Florida, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Tax Collector as of September 30, 2008, and the results of operations for the year ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 31, 2009, on our consideration of the Tax Collector's internal control over financial reporting and our tests of his compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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

Caru, Riggs & Ingram, L.L.C.

March 31, 2009

Franklin County Tax Collector
Special-Purpose Balance Sheet
General Fund
September 30, 2008

Assets

Prepaid expenses	\$ 5,000
<hr/>	
Total assets	\$ 5,000
<hr/>	

Liabilities and fund balance

Liabilities	
Due to Board of County Commissioners	\$ 5,000
<hr/>	
Total liabilities	5,000
Fund balance	-
<hr/>	
Total liabilities and fund balance	\$ 5,000
<hr/>	

See accompanying notes

Franklin County Tax Collector
Special-Purpose Statement of Revenues,
Expenditures, and Changes in Fund Balance - General Fund
Year Ended September 30, 2008

Revenues	\$	-
<hr/>		
Expenditures		
General government		
Current		
Personal services	396,893	
Operating expenditures	109,102	
Capital outlay	5,258	
<hr/>		
Total expenditures	511,253	
<hr/>		
Excess (deficit) of revenues over (under) expenditures		(511,253)
<hr/>		
Other financing sources (uses)		
Transfers from Board of County Commissioners	519,617	
Transfers to Board of County Commissioners	(8,364)	
<hr/>		
Total other financing sources (uses)	511,253	
<hr/>		
Net change in fund balance		-
<hr/>		
Fund balance - beginning		-
<hr/>		
Fund balance - ending	\$	-
<hr/> <hr/>		

See accompanying notes

Franklin County Tax Collector
Special-Purpose Statement of Revenues,
Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended September 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
General government				
Current				
Personal services	414,217	414,217	396,893	17,324
Operating expenditures	105,400	105,400	109,102	(3,702)
Capital outlay	-	-	5,258	(5,258)
Total expenditures	519,617	519,617	511,253	8,364
Excess (deficit) of revenues over (under) expenditures	(519,617)	(519,617)	(511,253)	8,364
Other financing sources				
Transfers from Board of County Commissioners	519,617	519,617	519,617	-
Transfers to Board of County Commissioners	-	-	(8,364)	(8,364)
Total other financing sources	519,617	519,617	511,253	(8,364)
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

See accompanying notes

Franklin County Tax Collector
Statement of Fiduciary Assets and Liabilities
Agency Funds
September 30, 2008

Assets

Cash and cash equivalents	\$	56,206
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Liabilities

Due to other governments	\$	39,178
Installment taxes		16,097
Escrow deposits		931
<hr/>		
Total liabilities	\$	56,206

See accompanying notes

Notes to Special-Purpose Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 his financial information is included in Franklin County's county-wide financial statements.

These special-purpose financial statements include the general fund 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 governmental units.

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 Tax Collector utilizes the following fund types:

Governmental Fund type

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

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.

Notes to Special-Purpose Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements and refers 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 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.

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.

Budgetary Requirements

Florida Statutes, Chapter 195.087 governs 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.

Notes to Special-Purpose Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

Property Tax Collections

Chapter 197, Florida Statutes, governs property tax collections in the State of Florida.

■ **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.

Notes to Special-Purpose Financial Statements

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 a 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 Clerk of the Court administers these sales.

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.

The Tax Collector held no investments at September 30, 2008.

Interest Rate Risk

At September 30, 2008, the Tax Collector did not hold any investments that were considered to be an interest rate risk.

Credit Risk

At September 30, 2008, the Tax Collector did not hold any investments that were considered to be a credit risk.

Custodial Risk

At September 30, 2008, 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, 2008, the Tax Collector did not hold any investments that were considered to be a concentration of credit risk.

Notes to Special-Purpose Financial Statements

NOTE 3 – EMPLOYEE BENEFITS

Retirement Plan

Pension Plan

In accordance with Florida law, the Tax Collector participates in the Florida Retirement System (FRS), a cost-sharing, multiple employer defined benefit public retirement system administered by the State of Florida Department of Administration, Division of Retirement, to provide retirement and survivor benefits to participating public employees. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. FRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State of Florida Division of Retirement, 1317 Winewood Boulevard, Building 8, Tallahassee, Florida 32399-6570, or by calling 850-414-6347.

FRS provides vesting of benefits after six years of creditable service. Members are eligible for normal retirement after six years of service and attaining age 62, or 30 years of service regardless of age. Early retirement may be taken any time after completing six years of service; however, there is a 5% benefit reduction for each year prior to normal retirement. The System also provides death and disability benefits and cost-of-living adjustments. Generally, membership is compulsory for all full-time and part-time employees. Retirement coverage is noncontributory for employees.

Funding Policy

The funding methods and the determination of benefits payable are provided in various acts of the Florida Legislature. These acts provide that employers pay all contributions at rates determined each year by the legislature. The rates, as a percentage of gross earnings, are as follows:

	October 1, 2007 Through June 30, 2008	July 1, 2008 Through September 30, 2008
Regular employees	9.85%	9.85%
Senior management	13.12%	13.12%
Elected County officials	16.53%	16.53%
DROP plan participants	10.91%	10.91%

For the year ended September 30, 2008, the total payroll for all employees was \$333,322 and the retirement contributions for all employees' covered by the System for the years ended September 30, 2008, 2007 and 2006 were \$35,988, \$37,102 and \$32,273, respectively, which equaled the required contributions. Current year contributions represented 11% of covered payroll.

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/or the public; or damage to

Notes to Special-Purpose Financial Statements

NOTE 4 – RISK MANAGEMENT (CONTINUED)

property of others. The Tax Collector 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 employees' bond
- Workers' compensation
- Automobile liability

Combining Financial Statements

Franklin County Tax Collector
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
September 30, 2008

	Taxes	Tag	Total Agency Funds
Assets			
Cash and cash equivalents	\$ 44,545	\$ 11,661	\$ 56,206
Liabilities			
Due to other governments	\$ 32,970	\$ 6,208	\$ 39,178
Installment taxes	10,644	5,453	16,097
Escrow deposits	931	-	931
Total liabilities	\$ 44,545	\$ 11,661	\$ 56,206

Compliance Section

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

We have audited the special-purpose financial statements of the Franklin County, Florida, Tax Collector as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated March 31, 2009.

We conducted our audit in accordance with United States generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated March 31, 2009, should be considered in conjunction with this management letter.

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

Section 10.554(1)(i)1., Rules of the Auditor General requires that we determine whether or not the corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.

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

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, there were no such recommendations.

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

Section 10.554(1)(i)5., Rules of the Auditor General provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosure from the financial statements); (b) failures to properly record financial transactions; or (c) inaccuracies, shortages, defalcations, or instances of fraud discovered by, or that came to the attention of the auditor. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The Tax Collector was established by the Constitution of the State of Florida, Article VIII, Section 1(d). The Tax Collector has no component units.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Tax Collector, the Franklin County Board of County Commissioners, management, the Florida Auditor General, and certain federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Caru, Riggs & Ingram, L.L.C.

March 31, 2009

**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**

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

We have audited the special-purpose financial statements of the Franklin County, Florida, Tax Collector as of and for the year ended September 30, 2008, and have issued our report thereon dated March 31, 2009. 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. Our report on the financial statements included a paragraph explaining that the Tax Collector is an integral part of Franklin County, the primary government for financial reporting purposes.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Tax Collector's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on effectiveness of the Tax Collector's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Tax Collector's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Tax Collector's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Tax Collector's financial statements that is more than inconsequential will not be prevented or detected by the Tax Collector's internal control. We consider the following findings to be significant deficiencies in internal control over financial reporting.

08-01 Lack of segregation of duties - Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate. The limited number of employees precludes proper segregation of duties in the Tax Collector's office. We recommend that in the absence of the ability to hire additional employees, that alternative procedures, including additional oversight with regard to certain duties be performed regularly to mitigate the risks caused by this lack of segregation of incompatible duties.

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

08-02 Significant adjustments to the financial records were made in order for the financial statements to conform to generally accepted accounting principles.

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

08-03 Inadequate design of internal control over the preparation of the financial statements being audited gives rise to a significant deficiency in internal control.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented by the Tax Collector's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiencies described above are material weaknesses.

Compliance and other matters

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

This report is intended solely for the information and use of the Tax Collector, the Board of County Commissioners, management, the State of Florida Office of the Auditor General, and certain federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Caru, Riggs & Ingram, L.L.C.

March 31, 2009

Franklin County, Florida
Property Appraiser

Special-Purpose
Financial Statements

September 30, 2008

Franklin County Property Appraiser
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September 30, 2008

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INDEPENDENT AUDITOR'S REPORT

The Honorable Doris B. Pendleton
Franklin County Property Appraiser
Franklin County, Florida

We have audited the accompanying special-purpose financial statements of the Franklin County Property Appraiser as of and for the year ended September 30, 2008, as listed in the table of contents. These special-purpose financial statements are the responsibility of the Property Appraiser's management. Our responsibility is to express an opinion on these special-purpose 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 special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall special-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1, the special-purpose financial statements referred to above have been prepared for the purpose of complying with, and on the basis of accounting practices specified by the Rules of the State of Florida Office of the Auditor General, and are not intended to be a complete presentation under Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Additionally, the special-purpose financial statements present only the Property Appraiser and are not intended to present fairly the financial position and changes in financial position of Franklin County, Florida, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Property Appraiser as of September 30, 2008, and the results of operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2009, on our consideration of the Property Appraiser's internal control over financial reporting and on our tests of her compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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

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

March 31, 2009

Franklin County Property Appraiser
Special-Purpose Balance Sheet
General Fund
September 30, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ -	\$ 536	\$ 536
Liabilities and fund balance			
Liabilities	\$ -	\$ -	\$ -
Total liabilities	-	-	-
Fund balance			
Unreserved			
Designated	-	536	536
Total fund balance	-	536	536
Total liabilities and fund balance	\$ -	\$ 536	\$ 536

See accompanying notes

Franklin County Property Appraiser
Special-Purpose Statement of Revenues, Expenditures,
and Changes in Fund Balance - General Fund
Year Ended September 30, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Charges for services	\$ -	\$ 2,104	\$ 2,104
Investment income	-	11	11
Total revenues	-	2,115	2,115
Expenditures			
General government			
Current			
Personal services	507,968	-	507,968
Operating expenditures	112,644	-	112,644
Capital outlay	4,998	-	4,998
Total expenditures	625,610	-	625,610
Excess (deficit) of revenues over (under) expenditures	(625,610)	2,115	(623,495)
Other financing sources (uses)			
Transfers from Board of County Commissioners	622,175	-	622,175
Transfers in	3,614	-	3,614
Transfers out	(179)	(5,765)	(5,944)
Total other financing sources (uses)	625,610	(5,765)	619,845
Net change in fund balance	-	(3,650)	(3,650)
Fund balance - beginning	-	4,186	4,186
Fund balance - ending	\$ -	\$ 536	\$ 536

See accompanying notes

Franklin County Property Appraiser
Special-Purpose Statement of Revenues,
Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous revenue	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
General government				
Current				
Personal services	531,089	509,425	507,968	1,457
Operating expenditures	133,300	101,750	112,644	(10,894)
Capital outlay	12,000	11,000	4,998	6,002
Total expenditures	676,389	622,175	625,610	(3,435)
Excess (deficit) of revenues over (under) expenditures	(676,389)	(622,175)	(625,610)	(3,435)
Other financing sources (uses)				
Transfers from Board of County Commissioners	676,389	622,175	622,175	-
Transfers in	-	-	3,614	3,614
Transfers out	-	-	(179)	(179)
Total other financing sources (uses)	676,389	622,175	625,610	3,435
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

See accompanying notes

Franklin County Property Appraiser

Notes to Special-Purpose Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 her financial information is included in Franklin County's county-wide financial statements.

These special-purpose financial statements are not intended to be a complete presentation of the financial position and results of operations of Franklin County, Florida taken as a whole. As permitted by Chapter 10.556(5), Rules of the Auditor General State of Florida, the special-purpose financial statements consist of only the *fund level* financial statements as defined in GASB No. 34, and do not include presentations of *government-wide* financial statements of the Property Appraiser.

The operations of the Property Appraiser are funded by the 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 financing 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.

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 Property Appraiser utilizes the following fund type:

Governmental Fund Type

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

Franklin County Property Appraiser

Notes to Special-Purpose Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements and refers 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.

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 current assets. Accordingly, they present a summary of sources and uses of “available spendable resources” during a period.

Budgetary Requirements

Florida Statutes, Chapter 195.087 governs 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.

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.

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 Property Appraiser maintains custodial responsibility for the capital assets used by her office.

Notes to Special-Purpose Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

The Property Appraiser held no investments at September 30, 2008.

Interest Rate Risk

At September 30, 2008, the Property Appraiser did not hold any investments that were considered to be an interest rate risk.

Credit Risk

At September 30, 2008, the Property Appraiser did not hold any investments that were considered to be a credit risk.

Custodial Risk

At September 30, 2008, the Property Appraiser did not hold any deposits or investments that were considered to be a custodial risk.

Concentration of Credit Risk

At September 30, 2008, the Property Appraiser did not hold any investments that were considered to be a concentration of credit risk.

Notes to Special-Purpose Financial Statements

NOTE 3 – EMPLOYEE BENEFITS

Retirement Plan

Plan Description

In accordance with Florida law, the Property Appraiser participates in the Florida Retirement System (FRS) a cost-sharing, multiple employer defined benefit public retirement system administered by the State of Florida Department of Administration, Division of Retirement, to provide retirement and survivor benefits to participating public employees. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. FRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State of Florida Division of Retirement, 1317 Winewood Boulevard, Building 8, Tallahassee, Florida 32399-6570 or calling 850-414-6347.

FRS provides vesting of benefits after six years of creditable service. Members are eligible for normal retirement after six years of service and attaining age 62, or 30 years of service regardless of age. Early retirement may be taken any time after completing six years of service; however, there is a 5% benefit reduction for each year prior to normal retirement. FRS also provides death and disability benefits and cost-of-living adjustments. Generally, membership is compulsory for all full-time and part-time employees. Retirement coverage is noncontributory for employees.

Funding Policy

The funding methods and the determination of benefits payable are provided in various acts of the Florida Legislature. These acts provide that employers pay all contributions at rates determined each year by the legislature. The rates, as a percentage of gross earnings, are as follows:

	October 1, 2007 Through June 30, 2008	July 1, 2008 Through September 30, 2008
Regular employees	9.85%	9.85%
Senior management	13.12%	13.12%
Elected County officials	16.53%	16.53%
DROP plan participants	10.91%	10.91%

Chapter 121, Florida Statutes establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. For the year ended September 30, 2008, the total covered payroll for all employees was \$428,275 and the retirement contributions for all employees' coverage by FRS for the years ended September 30, 2008, 2007 and 2006 were \$46,266, \$51,772 and \$42,482, respectively, which was the required contributions. Current year contributions represented 11% of covered payroll.

Franklin County Property Appraiser

Notes to Special-Purpose Financial Statements

NOTE 4 – CHANGES IN LONG-TERM OBLIGATIONS

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

	Balance September 30, 2007	Additions	Deductions	Balance September 30, 2008
Accumulated compensated absences	\$ 1,466	\$ 2,464	\$ -	\$ 3,930

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

NOTE 5 – RISK MANAGEMENT

The Property Appraiser is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; injuries to employees and/or the public; or damage to property of others. The Property Appraiser participates in the risk management program through the 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 employees' bond
- Workers' compensation
- Automobile liability

Combining Financial Statements

Franklin County Property Appraiser
Combining Balance Sheet
Other Governmental Funds - Special Revenue Funds
September 30, 2008

	Supply Fund	Mapping Fund	Total Other Governmental Funds
Assets			
Cash and cash equivalents	\$ -	\$ 536	\$ 536
Liabilities and fund balance			
Liabilities	\$ -	\$ -	\$ -
Fund balance			
Unreserved			
Designated	-	536	536
Total liabilities and fund balance	\$ -	\$ 536	\$ 536

See accompanying notes

Franklin County Property Appraiser
Combining Statement of Revenues, Expenditures, and Changes in Fund
Balances - Other Governmental Funds - Special Revenue Funds
Year Ended September 30, 2008

	Supply Fund	Mapping Fund	Total Other Governmental Funds
Revenues			
Charges for services	\$ 2,104	\$ -	\$ 2,104
Investment income	8	3	11
Total revenues	2,112	3	2,115
Expenditures			
General government			
Current			
Operating expenditures	-	-	-
Total expenditures	-	-	-
Excess (deficit) of revenues over (under) expenditures	2,112	3	2,115
Other financing sources			
Transfers out	(5,765)	-	(5,765)
Total other financing sources	(5,765)	-	(5,765)
Net change in fund balances	(3,653)	3	(3,650)
Fund balances - beginning	3,653	533	4,186
Fund balances - ending	\$ -	\$ 536	\$ 536

See accompanying notes

Compliance Section

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

The Honorable Doris B. Pendleton
Franklin County Property Appraiser
Franklin County, Florida

We have audited the special-purpose financial statements of the Franklin County, Florida, Property Appraiser as of and for the year ended September 30, 2008, and have issued our report thereon dated March 31, 2009.

We conducted our audit in accordance with United States generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated March 31, 2009, should be considered in conjunction with this management letter.

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

Section 10.554(1)(i)1., Rules of the Auditor General requires that we determine whether or not the corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.

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

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we have no such recommendations.

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

Section 10.554(1)(i)5., Rules of the Auditor General provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies, including but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosure from the financial statements); (b) failures to properly record financial transactions; or (c) inaccuracies, shortages, defalcations, or instances of fraud discovered by, or that came to the attention of the auditor. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The Property Appraiser was established by the Constitution of the State of Florida, Article VIII, Section 1(d). The Property Appraiser has no component units.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Property Appraiser, the Board of County Commissioners, management, the Florida Auditor General, and certain federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

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

March 31, 2009

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

The Honorable Doris B. Pendleton
Franklin County Property Appraiser
Franklin County, Florida

We have audited the special-purpose financial statements of the Franklin County, Florida, Property Appraiser as of and for the year ended September 30, 2008, and have issued our report thereon dated March 31, 2009. 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. Our report on the financial statements included a paragraph explaining that the Property Appraiser is an integral part of Franklin County, the primary government for financial reporting purposes.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Property Appraiser's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on effectiveness of the Property Appraiser's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Property Appraiser's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Property Appraiser's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Property Appraiser's financial statements that is more than inconsequential will not be prevented or detected by the Property Appraiser's internal control. We consider the following findings to be significant deficiencies in internal control over financial reporting.

08-01 Lack of segregation of duties - Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate. The limited number of employees precludes proper segregation of duties in the Property Appraiser's office. We recommend that in the absence of the ability to hire additional employees, that alternative procedures, including additional oversight with regard to certain duties be performed regularly to mitigate the risks caused by this lack of segregation of incompatible duties.

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

08-02 Significant adjustments to the financial records were made in order for the financial statements to conform to generally accepted accounting principles.

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

08-03 Inadequate design of internal control over the preparation of the financial statements being audited gives rise to a significant deficiency in internal control.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented by the Property Appraiser's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiencies described above are material weaknesses.

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*.

This report is intended solely for the information and use of the Property Appraiser, the Board of County Commissioners, management, the State of Florida Office of the Auditor General, and certain federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Case, Riggs & Ingram, L.L.C.

March 31, 2009

Franklin County, Florida
Supervisor of Elections

Special-Purpose
Financial Statements

September 30, 2008

Franklin County Supervisor of Elections
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September 30, 2008

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INDEPENDENT AUDITOR'S REPORT

The Honorable Doris S. Gibbs
Franklin County Supervisor of Elections
Franklin County, Florida

We have audited the accompanying special-purpose financial statements of the Franklin County, Florida, Supervisor of Elections as of and for the year ended September 30, 2008, as listed in the table of contents. These special-purpose financial statements are the responsibility of the Supervisor of Election's management. Our responsibility is to express an opinion on these special-purpose 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 special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall special-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1, the special-purpose financial statements referred to above have been prepared for the purpose of complying with, and on the basis of accounting practices specified by the Rules of the State of Florida Office of the Auditor General, and are not intended to be a complete presentation under Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Additionally, the special-purpose financial statements present only the Supervisor of Elections and are not intended to present fairly the financial position and changes in financial position of Franklin County, Florida, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Supervisor of Elections as of September 30, 2008, and the results of her operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2009, on our consideration of the Supervisor of Elections' internal control over financial reporting and on our tests of her compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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

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

March 31, 2009

Franklin County Supervisor of Elections
Special-Purpose Balance Sheet
General Fund
September 30, 2008

Assets

Due from Board of County Commissioners	\$ 2,612
<hr/>	
Total assets	\$ 2,612
<hr/> <hr/>	

Liabilities and fund balance

Liabilities

Accounts payable	\$ 2,612
<hr/>	
Total Liabilities	2,612
Fund balance	-
<hr/>	
Total liabilities and fund balance	\$ 2,612
<hr/> <hr/>	

See accompanying notes

Franklin County Supervisor of Elections
Special-Purpose Statement of Revenues, Expenditures,
and Changes in Fund Balance - General Fund
Year Ended September 30, 2008

Revenues		
Miscellaneous	\$	3,176
<hr/>		
Expenditures		
General government		
Current		
Personal services		189,188
Operating expenditures		110,879
<hr/>		
Total expenditures		300,067
<hr/>		
Excess (deficit) of revenues over (under) expenditures		(296,891)
<hr/>		
Other financing sources (uses)		
Transfers to Board of County Commissioners		(3,382)
Transfers from Board of County Commissioners		300,273
<hr/>		
Total other financing sources (uses)		296,891
<hr/>		
Net change in fund balance		-
<hr/>		
Fund balance - beginning		-
<hr/>		
Fund balance - ending	\$	-
<hr/> <hr/>		

Franklin County Supervisor of Elections
Special-Purpose Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended September 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous	\$ -	\$ -	\$ 3,176	\$ 3,176
Expenditures				
General government				
Current				
Personal services	185,682	185,682	189,188	(3,506)
Operating expenditures	111,979	111,979	110,879	1,100
Total expenditures	297,661	297,661	300,067	(2,406)
Excess (deficit) of revenues over (under) expenditures	(297,661)	(297,661)	(296,891)	770
Other financing sources (uses)				
Transfers to Board of County Commissioners	-	-	(3,382)	(3,382)
Transfers from Board of County Commissioners	297,661	297,661	300,273	2,612
Total other financing sources (uses)	297,661	297,661	296,891	(770)
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

See accompanying notes

Franklin County Supervisor of Elections

Notes to Special-Purpose Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Supervisor of Elections of Franklin County, Florida is a separately 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 the general fund of the Supervisor of Elections'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 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.

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:

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 another fund.

Franklin County Supervisor of Elections

Notes to Special-Purpose Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements and refers 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.

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 current assets. Accordingly, they present a summary of sources and uses of “available spendable resources” during a period.

Budgetary Requirements

Governmental fund 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.

Franklin County Supervisor of Elections

Notes to Special-Purpose Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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 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 assets in the County's financial statements.

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.

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, 2008.

Franklin County Supervisor of Elections

Notes to Special-Purpose Financial Statements

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk

At September 30, 2008, the Supervisor of Elections did not hold any investments that were considered to be an interest rate risk.

Credit Risk

At September 30, 2008, the Supervisor of Elections did not hold any investments that were considered to be a credit risk.

Custodial Risk

At September 30, 2008, 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, 2008, 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

Pension Plan

In accordance with Florida law, the Supervisor of Elections participates in the Florida Retirement System (FRS), a cost-sharing, multiple employer defined benefit public retirement system administered by the State of Florida Department of Administration, Division of Retirement, to provide retirement and survivor benefits to participating employees. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. FRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State of Florida Division of Retirement, 1317 Winewood Boulevard, Building 8, Tallahassee, Florida 32399-6570 or by calling 850-414-6347.

FRS provides vesting of benefits after six years of creditable service. Members are eligible for normal retirement after six years of service and attaining age 62, or 30 years of service regardless of age. Early retirement may be taken any time after completing six years of service; however, there is a 5% benefit reduction for each year prior to normal retirement. FRS also provides death and disability benefits and cost-of-living adjustments. Generally, membership is compulsory for all full-time and part-time employees. Retirement coverage is noncontributory for employees.

Franklin County Supervisor of Elections

Notes to Special-Purpose Financial Statements

NOTE 3 – EMPLOYEE BENEFITS (CONTINUED)

Funding Policy

The funding methods and the determination of benefits payable are provided in various acts of the Florida Legislature. These acts provide that employers pay all contributions at rates determined each year by the legislature. The rates, as a percentage of gross earnings, are as follows:

	October 1, 2007 Through June 30, 2008	July 1, 2008 Through September 30, 2008
Regular employees	9.85%	9.85%
Senior management	13.12%	13.12%
Elected County officials	16.53%	16.53%
DROP plan participants	10.91%	10.91%

For the period October 1, 2007 through September 30, 2008, the total covered payroll for all employees was \$157,584 and the retirement contributions for all employees' covered by FRS for the years ended September 30, 2008, 2007 and 2006 were \$18,028, \$18,255 and \$14,905, respectively, which equaled the required contributions. Current year contributions represented 11% of covered payroll.

NOTE 4 – CHANGES IN LONG-TERM OBLIGATIONS

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

	Balance September 30, 2007	Additions	Deductions	Balance September 30, 2008
Accumulated compensated absences	\$ 35,930	\$ -	\$ 6,369	\$ 29,561

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 and a public entity risk pool to cover certain risks from loss.

Franklin County Supervisor of Elections

Notes to Special-Purpose Financial Statements

NOTE 5 – RISK MANAGEMENT (CONTINUED)

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

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

Compliance Section

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

The Honorable Doris S. Gibbs
Franklin County Supervisor of Elections
Franklin County, Florida

We have audited the special-purpose financial statements of the Franklin County, Florida Supervisor of Elections as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated March 31, 2009.

We conducted our audit in accordance with United States generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated March 31, 2009, should be considered in conjunction with this management letter.

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

Section 10.554(1)(i)1., Rules of the Auditor General requires that we determine whether or not the corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.

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

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, there were no such findings or recommendations.

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

Section 10.554(1)(i)5., Rules of the Auditor General provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies, including but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosure from the financial statements); (b) failures to properly record financial transactions; or (c) inaccuracies, shortages, defalcations, or instances of fraud discovered by, or that came to the attention of the auditor. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The 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.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Supervisor of Elections, the Board of County Commissioners, management, the Florida Auditor General, and certain federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Carri Riggs & Ingram, L.L.C.

March 31, 2009

**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**

The Honorable Doris S. Gibbs
Franklin County Supervisor of Elections
Franklin County, Florida

We have audited the special-purpose financial statements of the Franklin County, Florida Supervisor of Elections as of and for the year ended September 30, 2008, and have issued our report thereon dated March 31, 2009. 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. Our report on the financial statements included a paragraph explaining that the Supervisor of Elections is an integral part of Franklin County, the primary government for financial reporting purposes.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Supervisor of Elections' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on effectiveness of the Supervisor of Elections' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Supervisor of Elections' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Supervisor of Elections' ability to initiate, authorize, record, process, or report financial data reliably in accordance with the generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Supervisor of Elections' financial statements that is more than inconsequential will not be prevented or detected by the Supervisor of Elections' internal control. We consider the following findings to be significant deficiencies in internal control over financial reporting.

08-01 Lack of segregation of duties - Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate. The limited number of employees precludes proper segregation of duties in the Supervisor's office. We recommend that in the absence of the ability to hire additional employees, that alternative procedures, including additional oversight with regard to certain duties be performed regularly to mitigate the risks caused by this lack of segregation of incompatible duties.

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

08-02 Significant adjustments to the financial records were made in order for the financial statements to conform to generally accepted accounting principles.

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

08-03 Inadequate design of internal control over the preparation of the financial statements being audited gives rise to a significant deficiency in internal control.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented by the Supervisor of Elections' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiencies described above are material weaknesses.

Compliance and other matters

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

This report is intended solely for the information and use of the Supervisor of Elections, the Board of County Commissioners, management, the State of Florida Office of the Auditor General, and certain federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Case, Riggs & Ingram, L.L.C.

March 31, 2009