



**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR**

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State Auditor

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**FRANKLIN COUNTY, MISSISSIPPI**

**Audited Primary Government Financial Statements and Special Reports  
For the Year Ended September 30, 2004**



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FRANKLIN COUNTY

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FRANKLIN COUNTY

FINANCIAL SECTION

FRANKLIN COUNTY

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# State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

## INDEPENDENT AUDITOR'S REPORT ON THE PRIMARY GOVERNMENT BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Members of the Board of Supervisors  
Franklin County, Mississippi

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, Mississippi, as of and for the year ended September 30, 2004, which collectively comprise the county's primary government financial statements as listed in the table of contents. These financial statements are the responsibility of the county'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.

The financial statements referred to above include only the primary government of Franklin County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Franklin County, Mississippi, as of September 30, 2004, and the respective changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 for the primary government of Franklin County, Mississippi, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

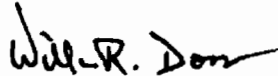
In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2005, on our consideration of Franklin County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 should be considered in assessing the results of our audit.

Franklin County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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. Franklin County, Mississippi, has not presented the budgetary comparison information for the Hospital Bond - Series 2003 Fund that the Governmental Accounting Standards Board require to supplement, although not to be part of, the basic financial statements.



PHIL BRYANT  
State Auditor



WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

November 9, 2005

FRANKLIN COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

FRANKLIN COUNTY  
Statement of Net Assets  
September 30, 2004

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash and investments	\$ 8,106,896	187,230	8,294,126
Property tax receivable	1,848,000		1,848,000
Accounts receivable (net of allowance for uncollectibles of \$55,170)		128,836	128,836
Fines receivable (net of allowance for uncollectibles of \$260,256)	52,714		52,714
Intergovernmental receivables	45,626		45,626
Other receivables	663		663
Internal balances	5,576	(5,576)	
Capital assets, net	4,276,952	55,969	4,332,921
<b>Total Assets</b>	<b>14,336,427</b>	<b>366,459</b>	<b>14,702,886</b>
<b>LIABILITIES</b>			
Claims payable	145,711	16,572	162,283
Intergovernmental payables	132,917		132,917
Unearned revenue	1,848,000	18,723	1,866,723
Other payables	20,661		20,661
Long-term liabilities			
Due within one year:			
Capital debt	91,479	12,949	104,428
Non-capital debt	50,000		50,000
Due in more than one year:			
Capital debt	354,068	15,440	369,508
Non-capital debt	1,441,798	9,388	1,451,186
<b>Total Liabilities</b>	<b>4,084,634</b>	<b>73,072</b>	<b>4,157,706</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	3,831,405	27,580	3,858,985
Restricted:			
Expendable:			
General government	210,170		210,170
Debt service	123,650		123,650
Public safety	419,259		419,259
Public works	4,556,652	265,807	4,822,459
Health and welfare	448,546		448,546
Culture and recreation	979,126		979,126
Unemployment compensation	12,270		12,270
Unrestricted	(329,285)		(329,285)
<b>Total Net Assets</b>	<b>\$ 10,251,793</b>	<b>293,387</b>	<b>10,545,180</b>

The notes to the financial statements are an integral part of this statement.

FRANKLIN COUNTY  
Statement of Activities  
For the Year Ended September 30, 2004

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		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	\$ 1,220,599	264,582			(956,017)		(956,017)
Public safety	614,238	114,722	26,390	9,911	(463,215)		(463,215)
Public works	2,196,323		1,143,790	2,814,844	1,762,311		1,762,311
Health and welfare	877,416		4,314		(873,102)		(873,102)
Culture and recreation	15,892		31,483		15,591		15,591
Conservation of natural resources	50,553				(50,553)		(50,553)
Economic development and assistance	71,467				(71,467)		(71,467)
Interest on long-term debt	61,613				(61,613)		(61,613)
Total Governmental Activities	<u>5,108,101</u>	<u>379,304</u>	<u>1,205,977</u>	<u>2,824,755</u>	<u>(698,065)</u>	<u>0</u>	<u>(698,065)</u>
Business-type activities:							
Solid waste	466,478	280,723	17,439			(168,316)	(168,316)
Total Primary Government	<u>\$ 5,574,579</u>	<u>660,027</u>	<u>1,223,416</u>	<u>2,824,755</u>	<u>(698,065)</u>	<u>(168,316)</u>	<u>(866,381)</u>
General revenues:							
Property taxes					\$ 2,016,305	190,561	2,206,866
Road & bridge privilege taxes					102,744		102,744
Grants and contributions not restricted to specific programs					325,724		325,724
Unrestricted investment income					160,503	5,002	165,505
Miscellaneous					117,996		117,996
Total General Revenues					<u>2,723,272</u>	<u>195,563</u>	<u>2,918,835</u>
Changes in Net Assets					<u>2,025,207</u>	<u>27,247</u>	<u>2,052,454</u>
Net Assets - Beginning					8,349,589	266,140	8,615,729
Prior period adjustment					(123,003)		(123,003)
Net Assets - Beginning, as restated					<u>8,226,586</u>	<u>266,140</u>	<u>8,492,726</u>
Net Assets - Ending					<u>\$ 10,251,793</u>	<u>293,387</u>	<u>10,545,180</u>

The notes to the financial statements are an integral part of this statement.

FRANKLIN COUNTY  
 Balance Sheet - Governmental Funds  
 September 30, 2004

Exhibit 3

	Major Funds				Total Governmental Funds
	General Fund	Countywide Bridge and Culvert Fund	Hospital Bond - Series 2003 Fund	Other Governmental Funds	
<b>ASSETS</b>					
Cash and investments	\$ 1,277,162	1,116,265	208,143	5,505,326	8,106,896
Property tax receivable	1,172,500	142,500		533,000	1,848,000
Fines receivable (net of allowance for uncollectibles of \$260,256)	52,714				52,714
Intergovernmental receivables	45,626				45,626
Other receivables	663				663
Due from other funds	9,767	3,418		22,784	35,969
<b>Total Assets</b>	<b>\$ 2,558,432</b>	<b>1,262,183</b>	<b>208,143</b>	<b>6,061,110</b>	<b>10,089,868</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Claims payable	\$ 39,448	9,146		97,117	145,711
Intergovernmental payables	127,990				127,990
Due to other funds	35,320				35,320
Deferred revenue	52,714				52,714
Unearned revenue	1,172,500	142,500		533,000	1,848,000
Other payables	20,661				20,661
<b>Total Liabilities</b>	<b>1,448,633</b>	<b>151,646</b>	<b>0</b>	<b>630,117</b>	<b>2,230,396</b>
Fund balances:					
Reserved for:					
Debt service				123,650	123,650
Unemployment compensation				12,270	12,270
Unreserved, reported in:					
General Fund	1,109,799				1,109,799
Special Revenue Funds		1,110,537	208,143	5,295,073	6,613,753
<b>Total Fund Balances</b>	<b>1,109,799</b>	<b>1,110,537</b>	<b>208,143</b>	<b>5,430,993</b>	<b>7,859,472</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,558,432</b>	<b>1,262,183</b>	<b>208,143</b>	<b>6,061,110</b>	<b>10,089,868</b>

The notes to the financial statements are an integral part of this statement.

FRANKLIN COUNTY  
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
September 30, 2004

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 7,859,472
Amounts reported for governmental services in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$4,882,195.	4,276,952
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	52,714
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	<u>(1,937,345)</u>
Total Net Assets - Governmental Activities	<u>\$ 10,251,793</u>

The notes to the financial statements are an integral part of this statement.

FRANKLIN COUNTY  
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2004

Exhibit 4

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Countywide Bridge and Culvert Fund	Hospital Bond - Series 2003 Fund		
<b>REVENUES</b>					
Property taxes	\$ 1,258,157	157,615		600,533	2,016,305
Road and bridge privilege taxes				102,744	102,744
Licenses, commissions and other revenue	70,826			765	71,591
Fines and forfeitures	201,088			5,170	206,258
Intergovernmental revenues	342,072	10,230		4,004,154	4,356,456
Charges for services	8,120			86,458	94,578
Interest income	36,698	23,210	438	100,157	160,503
Miscellaneous revenues	26,897	3,466		70,029	100,392
<b>Total Revenues</b>	<b>1,943,858</b>	<b>194,521</b>	<b>438</b>	<b>4,970,010</b>	<b>7,108,827</b>
<b>EXPENDITURES</b>					
Current:					
General government	1,049,232			115,761	1,164,993
Public safety	503,140			81,720	584,860
Public works		233,546		4,520,681	4,754,227
Health and welfare	81,735		782,367	13,314	877,416
Culture and recreation				15,892	15,892
Conservation of natural resources	50,553				50,553
Economic development and assistance	69,363				69,363
Debt service:					
Principal				601,105	601,105
Interest				24,335	24,335
<b>Total Expenditures</b>	<b>1,754,023</b>	<b>233,546</b>	<b>782,367</b>	<b>5,372,808</b>	<b>8,142,744</b>
<b>Excess of Revenues over (under) Expenditures</b>	<b>189,835</b>	<b>(39,025)</b>	<b>(781,929)</b>	<b>(402,798)</b>	<b>(1,033,917)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-term capital debt issued	50,000		1,027,350	529,620	1,606,970
Proceeds from sale of capital assets	14,612			15,525	30,137
Transfers in				64,039	64,039
Transfers out	(10,081)			(53,958)	(64,039)
Discount on bonds issued			(37,278)		(37,278)
<b>Total Other Financing Sources and Uses</b>	<b>54,531</b>	<b>0</b>	<b>990,072</b>	<b>555,226</b>	<b>1,599,829</b>
<b>Net Changes in Fund Balances</b>	<b>244,366</b>	<b>(39,025)</b>	<b>208,143</b>	<b>152,428</b>	<b>565,912</b>
Fund Balances - Beginning	865,433	1,149,562	0	5,278,565	7,293,560
Fund Balances - Ending	\$ 1,109,799	1,110,537	208,143	5,430,993	7,859,472

The notes to the financial statements are an integral part of this statement.

FRANKLIN COUNTY  
 Reconciliation of the Statement of Revenues, Expenditures and Changes in  
 Fund Balances of Governmental Funds to the Statement of Activities  
 For the Year Ended September 30, 2004

Exhibit 4-1

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 565,912
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$2,854,317 exceeded depreciation of \$377,348 in the current period.	2,476,969
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the net amount of the gain of \$17,604 and the proceeds from the sale of \$30,137 in the current period.	(12,533)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	6,877
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds of \$1,606,970 exceeded debt repayments of \$601,105.	(1,005,865)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by the amount of the increase in compensated absences	<u>(6,153)</u>
Change in Net Assets of Governmental Activities	<u>\$ 2,025,207</u>

The notes to the financial statements are an integral part of this statement.

FRANKLIN COUNTY  
Statement of Net Assets - Proprietary Fund  
September 30, 2004

Exhibit 5

	Business-type Activities - Enterprise Fund
	<u>Sanitation and Waste Removal Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 187,230
Accounts receivable (net of allowance for uncollectibles of \$55,170)	123,518
Due from other funds	4,191
Other receivable	22,002
Total Current Assets	<u>336,941</u>
Noncurrent assets:	
Capital assets, net	55,969
Total Noncurrent Assets	<u>55,969</u>
Total Assets	<u>392,910</u>
<b>LIABILITIES</b>	
Current liabilities:	
Claims payable	16,572
Due to other funds	9,767
Unearned revenue	18,723
Capital debt:	
Equipment notes payable	4,996
Capital leases payable	7,953
Total Current Liabilities	<u>58,011</u>
Noncurrent liabilities:	
Capital debt:	
Capital leases payable	15,440
Non-capital debt:	
Compensated absences payable	9,388
Total Noncurrent Liabilities	<u>24,828</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	27,580
Restricted:	
Public works	282,491
Total Net Assets	<u>\$ 310,071</u>

The notes to the financial statements are an integral part of this statement.

FRANKLIN COUNTY  
Statement of Revenues, Expenses and Changes in Fund Net Assets -  
Proprietary Fund  
For the Year Ended September 30, 2004

Exhibit 6

	Business-type Activities - <u>Enterprise Fund</u> Sanitation and Waste Removal <u>Fund</u>
Operating Revenues	
Charges for services	\$ 297,407
Miscellaneous	17,439
Total Operating Revenues	<u>314,846</u>
Operating Expenses	
Personal services	246,534
Contractual services	145,168
Materials and supplies	47,700
Depreciation expense	15,531
Indirect administrative cost	9,767
Total Operating Expenses	<u>464,700</u>
Operating Income (Loss)	<u>(149,854)</u>
Nonoperating Revenues (Expenses)	
Property tax	190,561
Interest income	5,002
Interest expense	(1,778)
Net Nonoperating Revenue (Expenses)	<u>193,785</u>
Changes in Net Assets	<u>43,931</u>
Net Assets - Beginning	<u>266,140</u>
Net Assets - Ending	<u>\$ 310,071</u>

The notes to the financial statements are an integral part of this statement.

FRANKLIN COUNTY  
Statement of Cash Flows - Proprietary Fund  
For the Year Ended September 30, 2004

Exhibit 7

	Business-type Activities - Enterprise Fund
	<u>Sanitation and Waste Removal Fund</u>
<b>Cash Flows From Operating Activities</b>	
Receipts from customers	\$ 271,398
Payments to suppliers	(247,258)
Payments to employees	(224,002)
Payments to General Fund for indirect costs	(5,547)
Other operating cash receipts	17,439
Net Cash Provided (Used) by Operating Activities	<u>(187,970)</u>
<b>Cash Flows From Noncapital Financing Activities</b>	
Cash received from property taxes	<u>191,149</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>191,149</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Principal paid on long-term debt	(21,942)
Interest paid on debt	<u>(1,778)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(23,720)</u>
<b>Cash Flows From Investing Activities</b>	
Interest on deposits	<u>5,002</u>
Net Cash Provided (Used) by Investing Activities	<u>5,002</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(15,539)
Cash and Cash Equivalents at Beginning of Year	<u>202,769</u>
Cash and Cash Equivalents at End of Year	<u>\$ 187,230</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income (loss)	\$ (149,854)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	15,531
Provision for uncollectible accounts	330
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(3,992)
(Increase) decrease in other receivable	(22,002)
Increase (decrease) in claims payable	(31,653)
Increase (decrease) in compensated absences liability	(205)
Increase (decrease) in unearned revenue	(345)
Increase (decrease) in interfund payables	4,220
Total Adjustments	<u>(38,116)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (187,970)</u>

The notes to the financial statements are an integral part of this statement.

FRANKLIN COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2004

Exhibit 8

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 254,345
Due from other funds	<u>4,927</u>
Total Assets	<u>\$ 259,272</u>
<b>LIABILITIES</b>	
Other liabilities	\$ 28,138
Intergovernmental payables	<u>231,134</u>
Total Liabilities	<u>\$ 259,272</u>

The notes to the financial statements are an integral part of this statement.

## FRANKLIN COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2004

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Franklin County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Franklin County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

Management has chosen to omit from these financial statements the following component unit which has a significant operational or financial relationship with the county. Accordingly, the financial statements do not include the data of this component unit necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Franklin County Memorial Hospital

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities and fund financial statements, which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

## FRANKLIN COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2004

The Statement of Net Assets presents the financial condition of the governmental activities and business-type activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the county.

#### Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

#### C. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied.

The county's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

## FRANKLIN COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2004

The county reports the following major Governmental Funds:

General Fund - This fund is used to account for all activities of the general government for which a separate fund has not been established.

Countywide Bridge and Culvert Fund - This fund is used to account for monies from specific revenue sources that are restricted for bridge maintenance.

Hospital Bond - Series 2003 Fund - This fund is used to account for bond proceeds that are restricted for hospital improvements and repairs.

The county reports the following major Proprietary Fund:

Sanitation and Waste Removal Fund - This fund is used to account for activities related to the disposal of solid waste within the county.

Additionally, the county reports the following fund types:

#### GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

#### PROPRIETARY FUND TYPE

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the county has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

#### FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

#### D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2001 by the Government Finance Officers Association and the *Mississippi County Financial Accounting Manual* as revised in 2002 by the Office of the State Auditor.

## FRANKLIN COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2004

#### E. Deposits and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value.

#### F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

#### G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

#### H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statement. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. The extent to which capital assets costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Franklin County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the county's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

FRANKLIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds.

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

\* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

I. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the Proprietary Funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Assets.

J. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, constructions or improvements of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved.

FRANKLIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriate or are legally segregated for a specific purpose.

K. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

L. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

M. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

(2) Prior Period Adjustment.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
Capital assets	\$ <u><u>(123,003)</u></u>

FRANKLIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

(3) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2004, was \$8,216,678 and the bank balance was \$8,314,790. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Investments:

The county's investments at year end consisted entirely of investments in Hancock Horizon Treasury Securities money market mutual funds through the Hancock Bank trust department for the Franklin County Memorial Hospital, Series 2003 Bonds. At year end, the carrying amount of the county's investments was \$331,793 and the cost was \$331,793. All of the county's investments are uninsured and unregistered. The money market mutual fund investments are not backed by the full faith and credit of the federal government.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2004:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Sanitation and Waste Removal	\$ 9,767
Countywide Bridge and Culvert	General	3,418
Sanitation and Waste Removal	General	4,191
Other Governmental Funds	General	22,784
Agency Funds	General	<u>4,927</u>
Total		<u>\$ 45,087</u>

The Sanitation and Waste Removal Fund payable is the indirect administrative costs incurred during the year. All other amounts represent the tax revenue collected but not settled until October, 2004. All interfund balances are expected to be repaid within one year from the date of the financial statements.

FRANKLIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

B. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other Governmental Funds	Other Governmental Funds	\$ 53,958
Other Governmental Funds	General Fund	<u>10,081</u>
Total		<u>\$ 64,039</u>

The principal purpose of interfund transfers was to correct errors in posting. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2004, consisted of the following:

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative tax credit	<u>\$ 45,626</u>

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2004:

Governmental activities:

	<u>Balance Oct. 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments *</u>	<u>Balance Sept. 30, 2004</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 259,432	0	0	0	259,432
<u>Depreciable capital assets:</u>					
Infrastructure		2,606,514			2,606,514
Buildings	1,947,363				1,947,363
Improvements other than buildings	332,052				332,052
Mobile equipment	3,379,211	221,401	86,421		3,514,191
Furniture and equipment	166,506	26,402			192,908
Leased property under capital leases	306,687				306,687
Total depreciable capital assets	<u>6,131,819</u>	<u>2,854,317</u>	<u>86,421</u>	<u>0</u>	<u>8,899,715</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure		76,265			76,265
Buildings	1,738,697	42,319			1,781,016
Improvements other than buildings	106,256	13,282			119,538

FRANKLIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

	Balance Oct. 1, 2003	Additions	Deletions	Adjustments *	Balance Sept. 30, 2004
Mobile equipment	2,324,008	209,799	73,888	123,003	2,582,922
Furniture and equipment	151,810	8,081			159,891
Leased property under capital leases	134,961	27,602			162,563
Total accumulated depreciation	<u>4,455,732</u>	<u>377,348</u>	<u>73,888</u>	<u>123,003</u>	<u>4,882,195</u>
Total depreciable capital assets, net	<u>1,676,087</u>	<u>2,476,969</u>	<u>12,533</u>	<u>(123,003)</u>	<u>4,017,520</u>
Governmental activities capital assets, net	<u>\$ 1,935,519</u>	<u>2,476,969</u>	<u>12,533</u>	<u>(123,003)</u>	<u>4,276,952</u>

\* Adjustments are to correct errors in prior year ending balances.

Business-type activities:

	Balance Oct. 1, 2003	Additions	Deletions	Adjustments	Balance Sept. 30, 2004
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,516	0	0	0	1,516
<u>Depreciable capital assets:</u>					
Mobile equipment	255,742				255,742
Leased property under capital leases	39,563				39,563
Total depreciable capital assets	<u>295,305</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>295,305</u>
<u>Less accumulated depreciation for:</u>					
Mobile equipment	218,199	11,970			230,169
Leased property under capital leases	7,122	3,561			10,683
Total accumulated depreciation	<u>225,321</u>	<u>15,531</u>	<u>0</u>	<u>0</u>	<u>240,852</u>
Total depreciable capital assets, net	<u>69,984</u>	<u>(15,531)</u>	<u>0</u>	<u>0</u>	<u>54,453</u>
Business-type activities capital assets, net	<u>\$ 71,500</u>	<u>(15,531)</u>	<u>0</u>	<u>0</u>	<u>55,969</u>

FRANKLIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 63,448
Public safety	94,575
Public works	217,777
Health and welfare	<u>1,548</u>
Total governmental activities depreciation expense	\$ <u><u>377,348</u></u>
Business-type activities:	
Solid waste	\$ <u><u>15,531</u></u>

(7) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$500,000 for law enforcement, fire fighters and road construction personnel and \$400,000 for all other employees for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2004, to January 1, 2005. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(8) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2004:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Mobile equipment	\$ 306,687	39,563
Less: Accumulated depreciation	<u>162,563</u>	<u>10,683</u>
Leased Property Under Capital Leases	\$ <u><u>144,124</u></u>	<u><u>28,880</u></u>

FRANKLIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

The following is a schedule by years of the total payments due as of September 30, 2004:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2005	\$ 31,315	7,934	7,953	799
2006	115,279	4,329	8,280	472
2007	8,007	183	7,160	133
Total	\$ <u>154,601</u>	<u>12,446</u>	<u>23,393</u>	<u>1,404</u>

(9) Long-term Debt.

Debt outstanding as of September 30, 2004, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. Limited Obligation Bonds			
Hospital bonds - Series 2003	\$ <u>1,435,000</u>	2.00/5.50%	07-23
B. Equipment Notes:			
Various road working equipment	\$ 129,290	3.50%	02-08
District 4 tractor/boom mower	<u>55,160</u>	3.13%	08-09
Total Equipment Notes	\$ <u>184,450</u>		
C. Capital Leases:			
District 5 motor grader	\$ 20,613	5.34%	05-06
District 1 motor grader	110,335	5.12%	06-06
District 4 dump truck	<u>23,653</u>	4.04%	07-07
Total Capital Leases	\$ <u>154,601</u>		
D. Other Loans:			
Fire truck CAP loan #08-019-CP-01	\$ 24,531	4.65%	01-09
Fire truck CAP loan #01-019-CP-01	34,125	3.00%	09-11
Fire truck CAP loan #03-019-CP-01	<u>47,840</u>	3.00%	01-14
Total Other Loans	\$ <u>106,496</u>		

FRANKLIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Business-type Activities:			
A. Equipment Note: Garbage truck	\$ <u>4,996</u>	4.75%	02-05
B. Capital Lease: Solid waste collection truck	\$ <u>23,393</u>	4.04%	09-07

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities:

Year Ending September 30	Limited Obligation Bonds	
	Principal	Interest
2005	\$ 50,000	69,804
2006	50,000	68,654
2007	55,000	67,354
2008	55,000	65,759
2009	55,000	63,944
2010 - 2014	320,000	282,200
2015 - 2019	420,000	189,750
2020 - 2024	<u>430,000</u>	<u>60,500</u>
Total	\$ <u>1,435,000</u>	<u>867,965</u>

Year Ending September 30	Equipment Notes		Other Loans	
	Principal	Interest	Principal	Interest
2005	\$ 46,969	5,548	13,195	3,204
2006	48,598	3,918	14,963	2,885
2007	50,285	2,232	15,512	2,336
2008	28,369	695	16,081	1,766
2009	10,229	174	12,443	1,232
2010 - 2014	<u>                    </u>	<u>                    </u>	<u>34,302</u>	<u>1,945</u>
Total	\$ <u>184,450</u>	<u>12,567</u>	<u>106,496</u>	<u>13,368</u>

Business-type Activities:

Year Ending September 30	Equipment Note	
	Principal	Interest
2005	\$ <u>4,996</u>	<u>49</u>

FRANKLIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2004, the amount of outstanding debt was equal to 2.88% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2004:

	Balance Oct. 1, 2003	Additions	Reductions	Adjustments	Balance Sept. 30, 2004	Amount due within one year
<b>Governmental Activities:</b>						
Compensated absences	\$ 50,645	6,153			56,798	
General obligation bonds	455,000		455,000		0	
Limited obligation bonds		1,500,000	65,000		1,435,000	50,000
Equipment notes	164,302	56,970	36,822		184,450	46,969
Capital leases	184,694		30,093		154,601	31,315
Other loans	70,686	50,000	14,190		106,496	13,195
<b>Total</b>	<b>\$ 925,327</b>	<b>1,613,123</b>	<b>601,105</b>	<b>0</b>	<b>1,937,345</b>	<b>141,479</b>
<b>Business-type Activities:</b>						
Compensated absences	\$ 9,593		205		9,388	
Equipment note	19,299		14,303		4,996	4,996
Capital lease	31,032		7,639		23,393	7,953
<b>Total</b>	<b>\$ 59,924</b>	<b>0</b>	<b>22,147</b>	<b>0</b>	<b>37,777</b>	<b>12,949</b>

(10) Contingencies.

Federal Grants - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

Litigation - The county is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

## FRANKLIN COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2004

(11) Joint Venture.

The county participates in the following joint venture:

Franklin County is a participant with the Counties of Amite, Lawrence, Lincoln, Pike, Walthall and Wilkinson, and the Cities of Brookhaven, McComb and Osyka in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the Southwest Regional Solid Waste Management Authority. The joint venture was created to study the disposal of solid waste within the aforementioned counties and cities and is governed by ten board members. Each governmental authority appoints one board member. By contractual agreement, the county's appropriation is based on the volume of solid waste from each government. Complete financial statements for the Southwest Regional Solid Waste Management Authority can be obtained from P.O. Box 667, McComb, MS 39649.

(12) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Copiah-Lincoln Community College operates in a district composed of the Counties of Adams, Copiah, Franklin, Jefferson, Lawrence, Lincoln and Simpson. The Franklin County Board of Supervisors appoints two of the 27 members of the college board of trustees. The county appropriated \$163,200 for maintenance and support of the college in fiscal year 2004.

Southwest Mississippi Planning and Development District operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lincoln, Lawrence, Pike, Walthall and Wilkinson. The Franklin County Board of Supervisors appoints four of the 40 members of the board of directors. The county appropriated \$19,712 for support of the district in fiscal year 2004.

Southwest Mississippi Mental Health Complex operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Franklin County Board of Supervisors appoints one of the ten members of the board of commissioners. The county appropriated \$18,000 for its support in fiscal year 2004.

Southwest Mississippi Partnership operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The entity is governed by ten members, appointed by each county's lead industrial foundation or chamber of commerce. If no industrial foundation or chamber of commerce is present, the member is appointed by the county's Board of Supervisors. The county appropriated \$1,690 for its support in fiscal year 2004.

(13) Defined Benefit Pension Plan.

**Plan Description.** Franklin County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

**Funding Policy.** PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2004, 2003 and 2002 were \$141,076, \$143,611 and \$136,338, respectively, equal to the required contributions for each year.

FRANKLIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

(14) Subsequent Events.

Subsequent to September 30, 2004, Franklin County issued the following debt obligation:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
03-15-05	3.41%	\$ 42,494	Road equipment note	District 2 Road and Bridge Fund privilege tax

FRANKLIN COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

FRANKLIN COUNTY

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FRANKLIN COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2004

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 1,113,100	1,263,090	1,263,090	
Licenses, commissions and other revenue	50,400	71,403	71,403	
Fines and forfeitures	125,900	198,722	198,722	
Intergovernmental revenues	170,120	392,512	392,512	
Charges for services	2,500	8,120	8,120	
Interest income	38,500	36,600	36,600	
Miscellaneous revenues	4,500	21,074	21,074	
Total Revenues	<u>1,505,020</u>	<u>1,991,521</u>	<u>1,991,521</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,164,849	1,065,132	1,065,132	
Public safety	555,011	510,345	510,345	
Health and welfare	82,520	81,676	81,676	
Conservation of natural resources	57,872	54,928	54,928	
Economic development and assistance	54,854	72,742	72,742	
Total Expenditures	<u>1,915,106</u>	<u>1,784,823</u>	<u>1,784,823</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(410,086)</u>	<u>206,698</u>	<u>206,698</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Compensation for loss of capital assets			20,490	20,490
Transfers in		26,037	5,547	(20,490)
Transfers out		(10,081)	(10,081)	
Total Other Financing Sources and Uses	<u>0</u>	<u>15,956</u>	<u>15,956</u>	<u>0</u>
Net Change in Fund Balance	(410,086)	222,654	222,654	0
Fund Balances - Beginning	<u>249,083</u>	<u>905,018</u>	<u>905,018</u>	<u>0</u>
Fund Balances - Ending	<u>\$ (161,003)</u>	<u>1,127,672</u>	<u>1,127,672</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

FRANKLIN COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Countywide Bridge and Culvert Fund  
 For the Year Ended September 30, 2004

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 127,000	158,115	158,115	
Intergovernmental revenues	10,000	10,230	10,230	
Interest income	27,000	23,210	23,210	
Miscellaneous revenues		3,466	3,466	
Total Revenues	<u>164,000</u>	<u>195,021</u>	<u>195,021</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Public works	144,450	224,932	224,932	
Total Expenditures	<u>144,450</u>	<u>224,932</u>	<u>224,932</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>19,550</u>	<u>(29,911)</u>	<u>(29,911)</u>	<u>0</u>
Net Change in Fund Balance	19,550	(29,911)	(29,911)	0
Fund Balances - Beginning	<u>804,700</u>	<u>1,146,177</u>	<u>1,146,177</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 824,250</u>	<u>1,116,266</u>	<u>1,116,266</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

FRANKLIN COUNTY

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2004

A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	<u>Governmental Fund Types</u>	
	General	Countywide Bridge and Culvert Fund
	<u>Fund</u>	<u>Fund</u>
Budget (Cash Basis)	\$ 222,654	(29,911)
Increase (Decrease)		
Net adjustments for revenue accruals	135,857	(3,385)
Net adjustments for expenditure accruals	<u>(114,145)</u>	<u>(5,729)</u>
GAAP Basis	<u>\$ 244,366</u>	<u>(39,025)</u>

A budget to GAAP reconciliation was not prepared for the Hospital Bond - Series 2003 Fund, because the county did not budget the fund.

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FRANKLIN COUNTY

SPECIAL REPORTS

FRANKLIN COUNTY

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# State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

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

Members of the Board of Supervisors  
Franklin County, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Franklin County, Mississippi, as of and for the year ended September 30, 2004, which collectively comprise the county's basic primary government financial statements and have issued our report thereon dated November 9, 2005. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component unit. 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, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

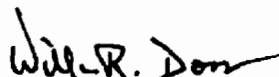
### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Franklin County, Mississippi's primary government 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 management and is not intended to be and should not be used by anyone other than this specified party. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT  
State Auditor



WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

November 9, 2005



# State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

## INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM, INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES (REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))

Members of the Board of Supervisors  
Franklin County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Franklin County, Mississippi, as of and for the year ended September 30, 2004. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of Franklin County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). The Board of Supervisors of Franklin County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

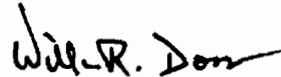
In our opinion, Franklin County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

The accompanying schedules of (1) purchases not made from the lowest bidder, (2) emergency purchases and (3) purchases made noncompetitively from a sole source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned study and evaluation of the purchasing system and, in our opinion, is fairly presented when considered in relation to that study and evaluation.

This report is intended for use in evaluating the central purchasing system and inventory control system of Franklin County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT  
State Auditor



WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

November 9, 2005

## FRANKLIN COUNTY

Schedule 1

## Schedule of Purchases Not Made From the Lowest Bidder

For the Year Ended September 30, 2004

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
02-02-04	Culverts	\$ 5,400	Diversified Railcar	\$ 5,175	Vendor with the lowest bid was unable to supply item by requested date.
04-05-04	TS100A tractor with a boom mower	56,925	Crain Tractor & Equipment	54,250	County's prior experience with product and the availability of repair parts for the equipment.

FRANKLIN COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2004

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
04-23-04	Glass for window	\$ 4,815	Quality Glass	To repair damage to a county building after an automobile was driven into the building.

FRANKLIN COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source

For the Year Ended September 30, 2004

Our test results did not identify any purchases made noncompetitively from a sole source.

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FRANKLIN COUNTY

SCHEDULE OF FINDINGS

FRANKLIN COUNTY

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FRANKLIN COUNTY

Schedule of Findings  
For the Year Ended September 30, 2004

Section 1: Summary of Auditor's Results

***Financial Statements:***

- |    |   |             |
|----|---|-------------|
| 1. | Type of auditor's report issued on the primary government financial statements:   | Unqualified |
| 2. | Internal control over financial reporting:  |             |
| a. | Material weakness identified?   | No          |
| b. | Reportable condition identified that is not considered to be a material weakness? | No          |
| 3. | Noncompliance material to the primary government financial statements?            | No          |

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.