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**FRANKLIN COUNTY, MISSISSIPPI**

**Audited Financial Statements  
For the Year Ended September 30, 2005**

FRANKLIN COUNTY

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# Windham and Lacey, PLLC

*Certified Public Accountants*

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Mississippi Society of CPAs

## 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, 2005, which collectively comprise the basic financial statements of the county's primary government 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 of America. 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.

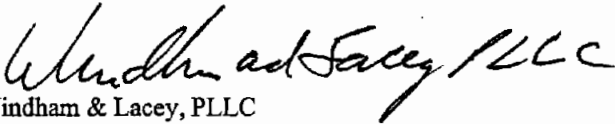
The financial statements referred to above include only the primary government of Franklin County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for 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, 2005, 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, 2005, and the respective changes in financial position thereof and the 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 October 15, 2006, 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.



Windham & Lacey, PLLC  
October 15, 2006

FRANKLIN COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

FRANKLIN COUNTY  
Statement of Net Assets  
September 30, 2005

Exhibit I

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash and investments	\$ 8,244,468	201,386	8,445,854
Property tax receivable	1,860,550		1,860,550
Accounts receivable, net of allowance for for uncollectible of \$54,728		131,849	131,849
Fines receivable, net of allowance for for uncollectible of \$178,585	75,112		75,112
Intergovernmental receivables	50,506		50,506
Other receivables	464		464
Internal balances	12,062	(12,062)	
Capital assets, net	4,378,939	52,407	4,431,346
<b>Total Assets</b>	<b>14,622,101</b>	<b>373,580</b>	<b>14,995,681</b>
<b>LIABILITIES</b>			
Claims payable	158,439	19,528	177,967
Intergovernmental payables	84,687		84,687
Deferred revenue	1,860,550		1,860,550
Other payables	35,324		35,324
Unearned revenue		23,492	23,492
Long-term liabilities			
Due within one year:			
Capital related debt	91,535	8,280	99,815
Non-capital debt	50,000		50,000
Due in more than one year:			
Capital related debt	347,167	7,160	354,327
Non-capital debt	1,398,050	9,760	1,407,810
<b>Total Liabilities</b>	<b>4,025,752</b>	<b>68,220</b>	<b>4,093,972</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	3,940,237	36,967	3,977,204
Restricted net assets:			
General government	186,010		186,010
Debt service	371,375		371,375
Public safety	539,791		539,791
Public works	4,374,282	268,393	4,642,675
Health and welfare	124,668		124,668
Culture and recreation	187,019		187,019
Unemployment	20,865		20,865
Unrestricted	852,102		852,102
<b>Total Net Assets</b>	<b>\$ 10,596,349</b>	<b>305,360</b>	<b>10,901,709</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, 2005

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Fines, Fees and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 1,198,666	222,982			(975,684)		(975,684)
Public safety	770,905	106,600	45,570	135,888	(482,847)		(482,847)
Public works	2,382,048		1,039,719	795,977	(546,352)		(546,352)
Health and welfare	281,867		7,334		(274,533)		(274,533)
Culture and recreation	18,851				(18,851)		(18,851)
Conservation of natural resources	61,978		9,250	18,927	(43,051)		(43,051)
Economic development and assistance	58,263				(49,013)		(49,013)
Interest on long-term debt	88,929				(88,929)		(88,929)
Total Governmental Activities	<u>4,861,507</u>	<u>329,582</u>	<u>1,101,873</u>	<u>950,792</u>	<u>(2,479,260)</u>	<u>0</u>	<u>(2,479,260)</u>
<b>Business-type activities:</b>							
Solid waste	568,936	353,210	15,316			(200,410)	(200,410)
Total Primary Government	<u>\$ 5,430,443</u>	<u>682,792</u>	<u>1,117,189</u>	<u>950,792</u>	<u>(2,479,260)</u>	<u>(200,410)</u>	<u>(2,679,670)</u>
<b>General revenues:</b>							
Taxes:							
Property taxes					2,001,572	202,147	2,203,719
Road & bridge privilege taxes					94,034		94,034
Grants and contributions not restricted to specific programs					392,178	8,404	392,178
Unrestricted investment income					295,910		304,314
Miscellaneous					44,958	1,832	46,790
Loss from sale of assets					(4,836)		(4,836)
Total General Revenues and transfers					<u>2,823,816</u>	<u>212,383</u>	<u>3,036,199</u>
Changes in Net Assets					<u>344,556</u>	<u>11,973</u>	<u>356,529</u>
Net Assets - Beginning					<u>10,251,793</u>	<u>293,387</u>	<u>10,545,180</u>
Net Assets - Ending					<u>\$ 10,596,349</u>	<u>305,360</u>	<u>10,901,709</u>

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

	Major Funds					Total Governmental Funds
	General Funds	Countywide Bridge Fund	State Aid Road Fund	U. S. Forest Service Title I Fund	Other Governmental Funds	
<b>ASSETS</b>						
Cash and investments	\$ 1,367,176	1,442,980		1,063,057	4,371,255	8,244,468
Property tax receivable	1,218,750	140,500			501,300	1,860,550
Fines receivable, net of allowance for uncollectible of \$178,585	75,112					75,112
Intergovernmental receivables	50,506					50,506
Other receivables	462					462
Due from other funds	19,227	5,822			31,448	56,497
Total Assets	\$ 2,731,233	1,589,302	0	1,063,057	4,904,003	10,287,595
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Claims payable	\$ 110,664	62			47,713	158,439
Intergovernmental payables	84,762					84,762
Due to other funds	51,711					51,711
Deferred revenue	1,293,862	140,500			501,300	1,935,662
Other Payables	27,973					27,973
Total Liabilities	1,568,972	140,562	0	0	549,013	2,258,547
Fund balances:						
Reserved for:						
Debt Service					371,374	371,374
Unemployment compensation					20,865	20,865
Unreserved, reported in:						
General fund	1,162,261					1,162,261
Special revenue funds		1,448,740		1,063,057	3,962,751	6,474,548
Total Fund Balances	1,162,261	1,448,740	0	1,063,057	4,354,990	8,029,048
Total Liabilities and Fund Balances	\$ 2,731,233	1,589,302	0	1,063,057	4,904,003	10,287,595

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, 2005

Exhibit 3-1

	<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$ 8,029,048
Amounts reported for governmental services in the Statement of Net Assets (Exhibit 1) are different because:	
Capital assets are used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation \$5,174,160.	4,378,939
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Fines receivable	75,112
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	
Long-term liabilities	(1,823,702)
Compensated absences	<u>(63,048)</u>
Total net assets - governmental activities (Exhibit 1)	\$ <u>10,596,349</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, 2005

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	Countywide Bridge Fund	State Aid Road Fund	U. S. Forest Service Title I Fund			
<b>REVENUES</b>							
Property taxes	\$ 1,231,555	164,174			605,844	2,001,573	
Road and bridge privilege taxes	35,971				94,034	94,034	
Licenses, commissions and other revenue	127,343				108	36,079	
Fines and forfeitures	526,032	14,007	795,977	250,000	4,481	1,31,824	
Intergovernmental revenues	3,320				886,321	2,472,337	
Charges for services	59,808	44,892	488	32,986	87,554	90,874	
Interest income	40,812	3,429			157,737	295,911	
Miscellaneous revenues					12,240	56,481	
<b>Total Revenues</b>	<b>2,024,841</b>	<b>226,502</b>	<b>796,465</b>	<b>282,986</b>	<b>1,848,319</b>	<b>5,179,113</b>	
<b>EXPENDITURES</b>							
Current:							
General government	1,040,355				98,050	1,138,405	
Public safety	757,090				24,212	781,302	
Public works		52,887	621,143		1,874,361	2,548,391	
Health and welfare	81,096				200,771	281,867	
Culture and recreation					14,068	14,068	
Conservation of natural resources	58,828				3,150	61,978	
Economic development and assistance	55,955					55,955	
Debt service:							
Principal					159,286	159,286	
Interest					88,710	88,710	
<b>Total Expenditures</b>	<b>1,993,324</b>	<b>52,887</b>	<b>621,143</b>	<b>0</b>	<b>2,462,608</b>	<b>5,129,962</b>	
<b>Excess of Revenues over (under) Expenditures</b>	<b>31,517</b>	<b>173,615</b>	<b>175,322</b>	<b>282,986</b>	<b>(614,289)</b>	<b>49,151</b>	

	Major Funds					Total Governmental Funds
	General Fund	Countywide Bridge Fund	State Aid Road Fund	U. S. Forest Service Title I Fund	Other Governmental Funds	
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-term capital debt issued	8,880				102,369	102,369
Proceeds from sale of capital assets	6,332				2,844	8,880
Compensation for loss of capital assets	25,733	164,588			317,086	9,176
Transfers in	(20,000)		(164,588)		(322,819)	507,407
Transfers out	20,945	164,588	(164,588)	0	99,480	(507,407)
Total Other Financing Sources and Uses	52,462	338,203	10,734	282,986	(514,809)	120,425
Net Changes in Fund Balances	1,109,799	1,110,537	(10,734)	780,071	4,869,799	7,859,472
Fund Balances - Beginning	\$ 1,162,261	1,448,740	0	1,063,057	4,354,990	8,029,048
Fund Balances - Ending						

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

FRANKLIN COUNTY

Exhibit 4-1

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, 2005

	<u>Amount</u>
Net changes in fund balances - total governmental funds (Exhibit 4)	\$ 169,576
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 \$489,519 exceeded depreciation of \$373,816 in the current period.	115,703
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 and loss from the sale of capital assets decrease financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the loss of \$4,836 and the proceeds from the sale in the current period of \$8,880.	(13,716)
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.	22,398
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of 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 repayments \$159,214 exceeded debt proceeds \$102,369.	56,845
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 a combination of the following items:	
Change in compensated absences	<u>(6,250)</u>
Change in net assets of governmental activities (Exhibit 2)	<u>\$ 344,556</u>

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

FRANKLIN COUNTY  
Statement of Net Assets - Proprietary Fund  
September 30, 2005

Exhibit 5

	Business-type Activities - Enterprise Fund Sanitation and Waste Removal Fund
<b>ASSETS</b>	
Current assets:	
Cash	\$ 201,386
Accounts receivable (net of allowance for uncollectibles of \$54,728)	131,849
Due from other funds	7,165
Total Current Assets	<u>340,400</u>
Noncurrent assets:	
Capital assets, net	<u>52,407</u>
Total Noncurrent Assets	<u>52,407</u>
Total Assets	<u>392,807</u>
<b>LIABILITIES</b>	
Current liabilities:	
Claims payable	19,528
Due to other funds	19,227
Other payables	23,492
Capital debt:	
Capital leases payable	<u>8,280</u>
Total Current Liabilities	<u>70,527</u>
Noncurrent liabilities:	
Capital debt:	
Capital leases payable	7,160
Non-capital debt:	
Compensated absences payable	<u>9,760</u>
Total Noncurrent Liabilities	<u>16,920</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	36,967
Restricted:	
Public works	<u>268,393</u>
Total Net Assets	<u>\$ 305,360</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, 2005

Exhibit 6

	Business-type Activities - <u>Enterprise Fund</u>
	<u>Sanitation and Waste Removal Fund</u>
Operating Revenues	
Charges for services	\$ 336,527
Miscellaneous	17,148
Total Operating Revenues	<u>353,675</u>
Operating Expenses	
Personal services	281,429
Contractual services	213,689
Materials and supplies	58,979
Depreciation expense	3,562
Indirect administrative cost	9,460
Total Operating Expenses	<u>567,119</u>
Operating Income (Loss)	<u>(213,444)</u>
Nonoperating Revenues (Expenses)	
Property tax	202,147
Interest income	8,404
Interest expense	(1,818)
Net Nonoperating Revenues (Expenses)	<u>208,733</u>
Changes in Net Assets	(4,711)
Net Assets - Beginning	<u>310,071</u>
Net Assets - Ending	<u>\$ 305,360</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, 2005

Exhibit 7

	Business-type Activities - <u>Enterprise Fund</u> Sanitation and Waste Removal <u>Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 354,967
Payments to suppliers	(297,785)
Payments to employees	(253,356)
Other operating cash receipts	17,148
Net Cash Provided (Used) by Operating Activities	<u>(179,026)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Cash received from property taxes	199,173
Net Cash Provided (Used) by Noncapital Financing Activities	<u>199,173</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal paid on long-term debt	(12,577)
Interest paid on debt	(1,818)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(14,395)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on deposits	8,404
Net Cash Provided (Used) by Investing Activities	<u>8,404</u>
Net Increase (Decrease) in Cash and Cash Equivalents	14,156
Cash and Cash Equivalents - Beginning of Year	<u>187,230</u>
Cash and Cash Equivalents - End of Year	<u>\$ 201,386</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (213,444)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:	
Depreciation expense	3,562
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(8,331)
(Increase) decrease in other receivables	22,002
Increase (decrease) in claims payable	2,956
Increase (decrease) in interfund payables	6,486
Increase in other payables	7,743
Total adjustments	<u>34,418</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (179,026)</u>

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

FRANKLIN COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2005

Exhibit 8

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 252,814
Due from other funds	<u>7,276</u>
Total Assets	<u>\$ 260,090</u>
<b>LIABILITIES</b>	
Claims payable and other accrued liabilities	\$ 33,067
Intergovernmental payables	<u>227,023</u>
Total Liabilities	<u>\$ 260,090</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, 2005

### (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 all of the county's 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, 2005

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 revenue is 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, 2005

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

State-Aid Road Fund - This fund is used to account for revenues received from the state that are restricted for road and bridge construction and maintenance.

United States Forest Service Title I Fund - This fund is used to account for funds received from the U. S. Forest Service under Public Law 106-393.

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 (other than for major capital projects) 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 TYPES

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 2005 by the Government Finance Officers Association.

## FRANKLIN COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2005

#### 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. However, the county did not invest in any governmental securities during the fiscal year.

#### 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 "interfund 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 governmental and business-type activities columns 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, other than infrastructure, 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, 2005

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. 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 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 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 or regulation 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."

FRANKLIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved, with unreserved classified as designated and undesignated.

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriable 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.

FRANKLIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

(2) Changes in Accounting Standards.

For the fiscal year ended September 30, 2005, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*. GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The provisions of this new statement have been incorporated into the financial statements and the accompanying notes.

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2005, was \$8,567,283, and the bank balance was \$8,670,507. 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.

**Custodial Credit Risk – Deposits.** Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

(4) 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 \$131,385 and the cost was \$131,385. 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.

**Interest Rate Risk.** The county does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Miss. Code Ann. (1972), limits the maturity period of any investment to no more than one year.

**Credit Risk.** State law limits investments to those authorized by Section 19-9-29, Miss. Code Ann. (1972). The county does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

**Custodial Credit Risk – Investments.** Custodial credit risk is the risk that in the event of the failure of the counterparty, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk.

FRANKLIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

(5) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2005:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Sanitation and Waste Removal	\$ 19,227
Sanitation and Waste Removal	General Fund	7,165
Countywide Bridge	General Fund	5,822
Hospital Bonds - Series 2003	General Fund	4,441
Other Governmental Funds	General Fund	27,007
Agency Funds	General Fund	<u>7,276</u>
Total		<u>\$ 70,938</u>

The Sanitation and Waste Removal Fund payable is the indirect administrative costs incurred during this year and last year. All other amounts listed are the tax and fine revenues collected but not settled until October, 2005. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 25,733
Other Governmental Funds	General Fund	20,000
Other Governmental Funds	Other Governmental Funds	297,086
Countywide Bridge Fund	State Aid Road Fund	<u>164,588</u>
Total		<u>\$ 507,407</u>

The purpose of these transfers were allocations between funds for debt service, bridge construction and other routine transfers for operations.

(6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2005, consisted of the following:

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative tag credit	\$ <u>50,506</u>
Total Governmental Activities	<u>\$ 50,506</u>

FRANKLIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

(7) Capital Assets.

Governmental activities:

	Beginning Balance	Increases	Decreases	Adjustments*	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 259,432				259,432
Total capital assets, not being depreciated	<u>259,432</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>259,432</u>
Capital assets, being depreciated:					
Buildings	1,947,363				1,947,363
Improvements other than buildings	332,052				332,052
Mobile equipment	3,514,191	146,533	(88,572)		3,572,152
Furniture and equipment	192,908		(6,995)		185,913
Property under capital leases	306,687				306,687
Infrastructure	<u>2,606,514</u>	<u>342,986</u>			<u>2,949,500</u>
Total capital assets being depreciated	<u>8,899,715</u>	<u>489,519</u>	<u>(95,567)</u>	<u>0</u>	<u>9,293,667</u>
Less: Accumulated depreciation for:					
Buildings	1,781,016	35,636			1,816,652
Improvements other than buildings	119,538	13,283			132,821
Mobile equipment	2,582,922	213,715	(75,556)		2,721,081
Furniture and equipment	159,891	7,323	(6,295)		160,919
Property under capital leases	162,563	27,591			190,154
Infrastructure	<u>76,265</u>	<u>76,268</u>			<u>152,533</u>
Total accumulated depreciation	<u>4,882,195</u>	<u>373,816</u>	<u>(81,851)</u>	<u>0</u>	<u>5,174,160</u>
Total capital assets, being depreciated, net	<u>4,017,520</u>	<u>115,703</u>	<u>(13,716)</u>	<u>0</u>	<u>4,119,507</u>
Governmental activities capital assets, net	<u>\$ 4,276,952</u>	<u>115,703</u>	<u>(13,716)</u>	<u>0</u>	<u>4,378,939</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 1,516				1,516
Total capital assets, not being depreciated	<u>1,516</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,516</u>
Capital assets, being depreciated:					
Mobile equipment	255,742				255,742
Property under capital leases	<u>39,563</u>				<u>39,563</u>
Total capital assets being depreciated	<u>295,305</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>295,305</u>
Less: Accumulated depreciation for:					
Mobile Equipment	230,169				230,169
Property under capital leases	<u>10,683</u>	<u>3,562</u>			<u>14,245</u>
Total accumulated depreciation	<u>240,852</u>	<u>3,562</u>	<u>0</u>	<u>0</u>	<u>244,414</u>
Total capital assets, being depreciated, net	<u>54,453</u>	<u>(3,562)</u>	<u>0</u>	<u>0</u>	<u>50,891</u>
Business-type activities capital assets, net	<u>\$ 55,969</u>	<u>(3,562)</u>	<u>0</u>	<u>0</u>	<u>52,407</u>

FRANKLIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

Depreciation expense was charged to the following functions:

Governmental activities:	
General government	\$ 54,456
Public safety	101,819
Public works	215,993
Health and welfare	<u>1,548</u>
Total depreciation expense - governmental activities	<u>\$ 373,816</u>

(8) 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 \$750,000 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, 2005, to January 1, 2006. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Capital Leases.

As Lessee:

The county is obligated for the following capital assets, acquired through capital leases as of September 30, 2005:

<u>Asset</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Machinery and equipment	\$ 306,687	39,563
Less: Accumulated depreciation	<u>(190,154)</u>	<u>(14,245)</u>
Total	<u>\$ 116,533</u>	<u>25,318</u>

The following is a schedule by years of the total payments due as of September 30, 2005:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 115,277	4,329	8,280	472
2007	<u>8,007</u>	<u>183</u>	<u>7,160</u>	<u>133</u>
Total	<u>\$ 123,284</u>	<u>4,512</u>	<u>15,440</u>	<u>605</u>

FRANKLIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

(10) Long-term Debt.

Debt outstanding as of September 30, 2005, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>Governmental Activities:</b>			
<b>A. Limited Obligation Bonds</b>			
Hospital bonds - Series 2003	\$ <u>1,385,000</u>	2.00/5.50%	07/23
<b>B. Equipment Notes:</b>			
Various road equipment	\$ 93,033	3.50%	02/08
District 4 tractor/boom mower	45,330	3.13%	08/09
2005 Chevy dump truck	38,629	3.41%	03/10
Lee Boy asphalt spreader	<u>47,578</u>	3.13%	08/09
Total Equipment Notes	\$ <u>224,570</u>		
<b>C. Capital Leases:</b>			
District 5 motor grader	8,473	5.09%	05/06
District 1 motor grader	\$ 98,823	3.69%	06/06
District 4 dump truck	<u>15,988</u>	3.31%	07/07
Total Capital Leases	\$ <u>123,284</u>		
<b>D. Other Loans:</b>			
Fire truck CAP loan #08-019-CP-01	\$ 18,233	4.65%	01/09
Fire truck CAP loan #01-019-CP-01	30,564	3.00%	09/11
Fire truck CAP loan #03-019-CP-01	<u>42,051</u>	3.00%	01/14
Total Other Loans	\$ <u>90,848</u>		
Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>Business-type Activities:</b>			
<b>Capital Lease:</b>			
Solid waste collection truck	\$ <u>15,440</u>	4.04%	09/07

FRANKLIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

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

Governmental Activities:

<u>Year Ending September 30,</u>	<u>Limited Obligation Bonds</u>			
	<u>Principal</u>		<u>Interest</u>	
2006	\$	50,000		68,654
2007		55,000		67,354
2008		55,000		65,759
2009		55,000		63,944
2010		60,000		61,854
2011-2015		335,000		267,096
2016-2020		445,000		166,650
2021-2023		330,000		36,848
Total	\$	<u>1,385,000</u>		<u>798,159</u>

<u>Year Ending September 30,</u>	<u>Equipment Notes</u>		<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 68,292	5,120	14,963	3,133
2007	70,627	3,153	15,512	2,336
2008	49,380	1,326	16,082	1,766
2009	31,740	505	11,376	1,232
2010	4,532	55	10,682	896
2011-2014			22,233	1,049
Total	\$ <u>224,570</u>	<u>10,159</u>	<u>90,848</u>	<u>10,412</u>

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, 2005, the amount of outstanding debt was equal to 1.6% of the latest property assessments.

FRANKLIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2005:

	Balance 10/1/2004	Additions	Reductions	Balance 9/30/2005	Amount due within one year
<b>Governmental Activities:</b>					
Compensated absences	\$ 56,798	6,250		63,048	
Limited obligation bonds	1,435,000		50,000	1,385,000	50,000
Equipment notes	184,450	102,369	62,249	224,570	68,292
Capital leases	154,601		31,317	123,284	115,277
Other loans	106,496		15,648	90,848	14,963
<b>Total</b>	<b>\$ 1,937,345</b>	<b>108,619</b>	<b>159,214</b>	<b>1,886,752</b>	<b>248,532</b>
<b>Business-type Activities:</b>					
Compensated absences	\$ 9,388	372		9,760	
Equipment note	4,996		4,996		
Capital leases	23,393		7,953	15,440	8,280
<b>Total</b>	<b>\$ 37,777</b>	<b>372</b>	<b>12,949</b>	<b>25,200</b>	<b>8,280</b>

(11) 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. Accordingly, 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.

(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 \$167,700 for maintenance and support of the college in fiscal year 2005.

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 \$18,104 for support of the district in fiscal year 2005.

FRANKLIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

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 2005.

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 2005.

(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 10.75% 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, 2005, 2004 and 2003 were \$161,471, \$141,076 and \$143,611, respectively, equal to the required contributions for each year.

FRANKLIN COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

FRANKLIN COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 1,172,500	1,216,496	1,216,496	
Licenses, commissions and other revenue	45,500	83,007	83,007	
Fines and forfeitures	137,800	152,649	152,649	
Intergovernmental revenues	325,720	481,092	481,092	
Charges for services	3,000	3,320	3,320	
Interest income	23,750	59,646	59,646	
Miscellaneous revenues	7,750	24,401	24,401	
Total Revenues	<u>1,716,020</u>	<u>2,020,611</u>	<u>2,020,611</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,231,235	1,040,450	1,040,450	
Public safety		755,381	755,381	
Health and welfare	82,302	80,918	80,918	
Conservation of natural resources	62,120	58,171	58,171	
Economic development and assistance	61,322	55,786	55,786	
Total Expenditures	<u>1,436,979</u>	<u>1,990,706</u>	<u>1,990,706</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>279,041</u>	<u>29,905</u>	<u>29,905</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets		8,880	8,880	
Compensation for loss of capital assets		6,332	6,332	
Transfers in		25,733	25,733	
Transfers out		(20,000)	(20,000)	
Total Other Financing Sources and Uses	<u>0</u>	<u>20,945</u>	<u>20,945</u>	<u>0</u>
Net Change in Fund Balance	279,041	50,850	50,850	0
Fund Balances - Beginning	<u>880,000</u>	<u>1,125,733</u>	<u>1,125,733</u>	<u>0</u>
Fund Balances - Ending	\$ <u>1,159,041</u>	<u>1,176,583</u>	<u>1,176,583</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 Fund  
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 142,500	164,250	164,250	
Intergovernmental revenues	11,500	11,527	11,527	
Interest income	15,000	44,892	44,892	
Miscellaneous revenues	2,000	3,430	3,430	
Total Revenues	<u>171,000</u>	<u>224,099</u>	<u>224,099</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Public works	<u>142,575</u>	<u>61,971</u>	<u>61,971</u>	
Total Expenditures	<u>142,575</u>	<u>61,971</u>	<u>61,971</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>28,425</u>	<u>162,128</u>	<u>162,128</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		164,588	164,588	
Total Other Financing Sources and Uses	<u>0</u>	<u>164,588</u>	<u>164,588</u>	<u>0</u>
Net Change in Fund Balance	28,425	326,716	326,716	0
Fund Balances - Beginning	<u>1,000,000</u>	<u>1,116,265</u>	<u>1,116,265</u>	<u>0</u>
Fund Balances - Ending	\$ <u>1,028,425</u>	<u>1,442,981</u>	<u>1,442,981</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)  
 State Aid Road Fund  
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenues	\$ 100,000	83,950	83,950	
Interest income		488	488	
Total Revenues	<u>100,000</u>	<u>84,438</u>	<u>84,438</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Public works	100,000	94,803	94,803	
Total Expenditures	<u>100,000</u>	<u>94,803</u>	<u>94,803</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>(10,365)</u>	<u>(10,365)</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		164,100	164,100	
Transfers out		(164,588)	(164,588)	
Total Other Financing Sources and Uses	<u>0</u>	<u>(488)</u>	<u>(488)</u>	<u>0</u>
Net Change in Fund Balance	0	(10,853)	(10,853)	0
Fund Balances - Beginning		<u>10,853</u>	<u>10,853</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>0</u>	<u>0</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)  
 U. S. Forest Service Title I Fund  
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenues	\$ 250,000	250,000	250,000	
Interest income	10,000	32,986	32,986	
Total Revenues	<u>260,000</u>	<u>282,986</u>	<u>282,986</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	0	0	0	0
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>260,000</u>	<u>282,986</u>	<u>282,986</u>	<u>0</u>
Net Change in Fund Balance	260,000	282,986	282,986	0
Fund Balances - Beginning	<u>775,000</u>	<u>780,071</u>	<u>780,071</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 1,035,000</u>	<u>1,063,057</u>	<u>1,063,057</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, 2005

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 Governmental Fund:

	Governmental Fund Types			
	General Fund	Countywide Bridge	State Aid Road	U. S. Forest Service Title I Fund
Net Change in Fund Balance - Budget (Cash Basis)	\$ 50,850	326,716	(10,853)	282,986
Increase (decrease):				
Net adjustments for revenue accruals	4,230	2,403	547,927	
Net adjustments for expenditure accruals	(2,618)	9,084	(526,340)	
Net Change in Fund Balance GAAP Basis	\$ <u>52,462</u>	<u>338,203</u>	<u>10,734</u>	<u>282,986</u>

FRANKLIN COUNTY

SPECIAL REPORTS

# Windham and Lacey, PLLC

*Certified Public Accountants*

2708 Old Brandon Road  
Pearl, MS 39208  
(601)939-8676

Members:  
American Institute of CPAs  
Mississippi Society of CPAs

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, 2005, which collectively comprise Franklin County, Mississippi's basic financial statements and have issued our report thereon dated October 15, 2006. 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 units. 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.

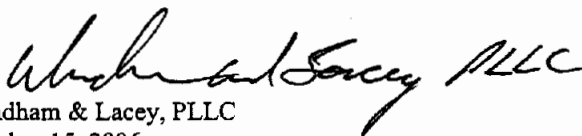
#### Internal Control Over Financial Reporting

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 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 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.



Windham & Lacey, PLLC  
October 15, 2006

# Windham and Lacey, PLLC

*Certified Public Accountants*

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## 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, 2005. 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.

  
Windham & Lacey, PLLC  
October 15, 2006

FRANKLIN COUNTY  
Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2005

Schedule 1

Our test results did not identify any purchases from other than the lowest bidder.

FRANKLIN COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2005

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
09/06/05	Fuel	\$ 4,998	Kaiser Petroleum	Due to Hurricane Katrina, unable to obtain fuel for recovery purposes from any other source.

FRANKLIN COUNTY  
Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2005

Schedule 3

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

# Windham and Lacey, PLLC

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## LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

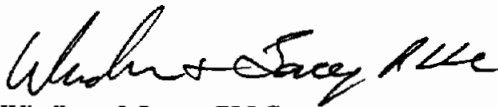
Members of the Board of Supervisors  
Franklin County Mississippi

In planning and performing our audit of the financial statements of Franklin County, Mississippi for the year ended September 30, 2005, we considered Franklin County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Franklin County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated October 15, 2006, on the financial statements of Franklin County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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.



Windham & Lacey, PLLC  
October 15, 2006

FRANKLIN COUNTY

SCHEDULE OF FINDINGS

FRANKLIN COUNTY

Schedule of Findings  
For the Year Ended September 30, 2005

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 weaknesses identified?   | No          |
|    | b. Reportable conditions identified that are not considered to be material weaknesses? | 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*.