

FRANKLIN COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2009

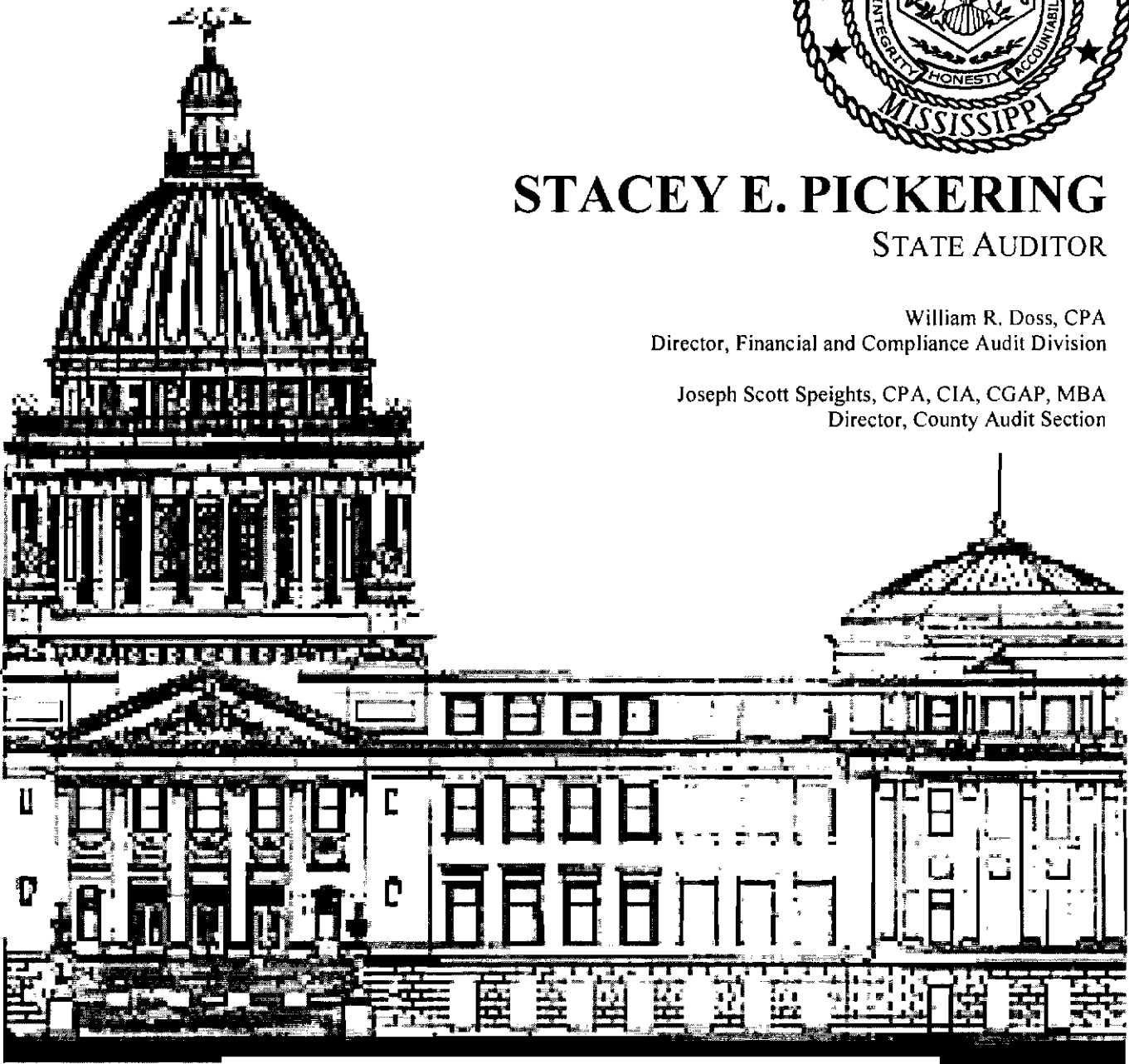


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

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Director, County Audit Section



A Report from the County Audit Section

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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
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Franklin County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Franklin County, Mississippi, as of and for the year ended September 30, 2009, which collectively comprise the county's basic 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 did not audit the financial statements of the Okhissa Lake Sewer District and the Franklin County Memorial Hospital, component units, which represent 100 percent of the assets, net assets and revenues of the aggregate discretely presented component unit column. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component units, is based on the reports of the other auditors.

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 and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Franklin County, Mississippi, as of September 30, 2009, and the respective changes in financial position, and, where applicable, cash flows 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 June 8, 2010, 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.

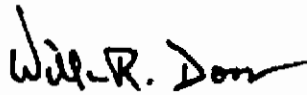
Franklin County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Franklin County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



STACEY E. PICKERING
State Auditor



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

June 8, 2010

FRANKLIN COUNTY

FINANCIAL STATEMENTS

FRANKLIN COUNTY

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FRANKLIN COUNTY
Statement of Net Assets
September 30, 2009

Exhibit I

	Primary Government		Business-type Activities	Total	Component Units			Total Component Units
	Governmental Activities				Okhissa Lake Sewer District	Franklin County Memorial Hospital		
ASSETS								
Cash	\$ 9,609,728		213,008	9,822,736	37,737	1,007,754	1,045,491	
Investments	124,632			124,632				
Property tax receivable	1,753,500		165,000	1,918,500				
Accounts receivable (net of allowance for uncollectibles of \$177,730)			170,006	170,006				
Fines receivable (net of allowance for uncollectibles of \$234,731)	75,302			75,302				
Patient accounts receivable (net of allowance for uncollectibles of \$2,084,548)						2,175,055	2,175,055	
Intergovernmental receivables	117,656			117,656				
Other receivables	1,425			1,425				
Internal balances	14,647		(14,647)					
Inventories and prepaid items						222,292	222,292	
Deferred expenses						50,481	50,481	
Other current assets						6,563	6,563	
Capital assets:								
Land and construction in progress	259,432		1,516	260,948	1,300,547	7,310	1,307,857	
Other capital assets, net	4,314,422		31,947	4,346,369		1,475,518	1,475,518	
Total Assets	16,270,744		566,830	16,837,574	1,338,284	4,944,973	6,283,257	
LIABILITIES								
Claims payable	173,506		21,199	194,705	42,192	345,475	387,667	
Accrued salaries and withholdings						371,838	371,838	
Intergovernmental payables	76,774			76,774				
Accrued interest payable	15,464			15,464				
Deferred revenue	1,753,500		165,000	1,918,500				
Unearned revenue			49,126	49,126				
Estimated third party settlements						27,239	27,239	
Other payables	31,329			31,329				

FRANKLIN COUNTY
Statement of Net Assets
September 30, 2009

(Exhibit 1 Continued)

	Primary Government		Component Units		Total Component Units
	Governmental Activities	Business-type Activities	Okhissa Lake Sewer District	Franklin County Memorial Hospital	
Long-term liabilities					
Due within one year:					
Capital debt	22,530			75,298	75,298
Non-capital debt	60,000			104,500	104,500
Due in more than one year:					
Capital debt	33,302			125,780	125,780
Non-capital debt	1,161,134	10,992			
Total Liabilities	<u>3,327,539</u>	<u>246,317</u>	<u>42,192</u>	<u>1,050,130</u>	<u>1,092,322</u>
NET ASSETS					
Invested in capital assets, net of related debt	4,518,022	33,463	1,296,092	1,281,750	2,577,842
Restricted:					
Expendable:					
General government	99,490				99,490
Debt service	409,299				409,299
Public safety	1,029,145				1,029,145
Public works	6,513,531	287,050			6,800,581
Education	3,382				3,382
Unemployment compensation	32,761				32,761
Unrestricted	337,575				337,575
Total Net Assets	<u>\$ 12,943,205</u>	<u>320,513</u>	<u>1,296,092</u>	<u>2,613,093</u>	<u>5,190,935</u>

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

FRANKLIN COUNTY
Statement of Activities
For the Year Ended September 30, 2009

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	Okhissa Lake Sewer District	Franklin Co. Memorial Hospital	Total Component Units	
					Governmental Activities	Business-type Activities					
Primary government:											
Governmental activities:											
General government	\$ 1,706,705	379,076			(1,327,629)						
Public safety	746,999	127,579	84,886		(534,534)						
Public works	2,143,974		1,353,750		(790,224)						
Health and welfare	247,802		7,981		(239,821)						
Culture and recreation	6,769				(6,769)						
Education	634,600		634,600		(63,859)						
Conservation of natural resources	63,859				(7,069)						
Economic development and assistance	7,069				(82,777)						
Interest on long-term debt	82,777										
Total Governmental Activities	5,640,554	506,655	2,081,217	0	(3,052,682)	0					
Business-type activities:											
Solid waste	637,463	481,764			(155,699)						
Total Primary Government	\$ 6,278,017	988,419	2,081,217	0	(3,052,682)						
Component units:											
Okhissa Lake Sewer District	\$ 9,275		20,000	997,185			1,007,910		1,007,910		
Franklin County Memorial Hospital	6,862,825	6,840,474						(22,351)	(22,351)		
Total Component Units	\$ 6,872,100	6,840,474	20,000	997,185			1,007,910	(22,351)	985,559		
General revenues:											
Property taxes					\$ 2,396,603		229,396		2,625,999		
Road & bridge privilege taxes					100,960				100,960		
Grants and contributions not restricted to specific programs					425,159		3,989		425,159		
Unrestricted interest income					196,358		4,997		200,347	2,068	
Nonoperating grants							1,057		4,997		
Miscellaneous					41,930				42,987		
Total General Revenues					3,161,010		239,439		3,400,449		
Changes in Net Assets					108,328		83,740		192,068		
Net Assets - Beginning					13,124,568		236,773		13,361,341		
Prior period adjustments					(289,691)				(289,691)		
Net Assets - Beginning, as restated					12,834,877		236,773		13,071,650		
Net Assets - Ending					\$ 12,943,205		320,513		13,263,718		

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

FRANKLIN COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2009

Exhibit 3

	Major Funds			Total Governmental Funds
	General Fund	Countywide Bridge and Culvert Fund	Other Governmental Funds	
ASSETS				
Cash	\$ 1,586,791	2,045,894	5,977,043	9,609,728
Investments			124,632	124,632
Property tax receivable	1,265,000	10,000	478,500	1,753,500
Fines receivable (net of allowance for uncollectibles of \$234,731)	75,302			75,302
Intergovernmental receivables	63,269		54,387	117,656
Other receivables	1,425			1,425
Due from other funds	20,987	2,593	18,055	41,635
Advances to other funds	9,551			9,551
Total Assets	\$ 3,022,325	2,058,487	6,652,617	11,733,429
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 66,668	1,776	105,062	173,506
Intergovernmental payables	73,225			73,225
Due to other funds	27,394		12,694	40,088
Deferred revenue	1,340,302	10,000	478,500	1,828,802
Other payables	31,329			31,329
Total Liabilities	1,538,918	11,776	596,256	2,146,950
Fund balances:				
Reserved for:				
General government			99,490	99,490
Debt service			424,763	424,763
Advances	9,551			9,551
Public safety			1,029,145	1,029,145
Public works		2,046,711	4,466,820	6,513,531
Education			3,382	3,382
Unemployment compensation			32,761	32,761
Unreserved - undesignated, reported in:				
General Fund	1,473,856			1,473,856
Total Fund Balances	1,483,407	2,046,711	6,056,361	9,586,479
Total Liabilities and Fund Balances	\$ 3,022,325	2,058,487	6,652,617	11,733,429

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, 2009

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 9,586,479
Amounts reported for governmental activities 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 \$5,196,325.	4,573,854
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	75,302
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(1,276,966)
Accrued interest payable is not due and payable in the current period and, therefore, are not reported in the funds.	<u>(15,464)</u>
Total Net Assets - Governmental Activities	\$ <u><u>12,943,205</u></u>

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

FRANKLIN COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2009

	Major Funds			Total Governmental Funds
	General Fund	Countywide Bridge and Culvert Fund	Other Governmental Funds	
REVENUES				
Property taxes	\$ 1,554,763	186,182	655,658	2,396,603
Road and bridge privilege taxes			100,960	100,960
Licenses, commissions and other revenue	106,454		10	106,464
Fines and forfeitures	280,518		6,935	287,453
Intergovernmental revenues	1,083,358	28,155	1,388,553	2,500,066
Charges for services	11,980		89,538	101,518
Interest income	36,141	35,983	124,234	196,358
Miscellaneous revenues	29,727		22,554	52,281
Total Revenues	<u>3,102,941</u>	<u>250,320</u>	<u>2,388,442</u>	<u>5,741,703</u>
EXPENDITURES				
Current:				
General government	1,523,182		113,766	1,636,948
Public safety	651,486		96,984	748,470
Public works		164,030	1,850,045	2,014,075
Health and welfare	73,124		174,678	247,802
Culture and recreation			6,769	6,769
Education	634,600			634,600
Conservation of natural resources	63,859			63,859
Economic development and assistance	7,069			7,069
Debt service:				
Principal			104,363	104,363
Interest			67,313	67,313
Total Expenditures	<u>2,953,320</u>	<u>164,030</u>	<u>2,413,918</u>	<u>5,531,268</u>
Excess of Revenues over (under) Expenditures	<u>149,621</u>	<u>86,290</u>	<u>(25,476)</u>	<u>210,435</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	12,289		11,694	23,983
Total Other Financing Sources and Uses	<u>12,289</u>	<u>0</u>	<u>11,694</u>	<u>23,983</u>
Net Changes in Fund Balances	<u>161,910</u>	<u>86,290</u>	<u>(13,782)</u>	<u>234,418</u>
Fund Balances - Beginning	1,321,497	1,960,421	6,359,834	9,641,752
Prior period adjustment			(289,691)	(289,691)
Fund Balances - Beginning, as restated	<u>1,321,497</u>	<u>1,960,421</u>	<u>6,070,143</u>	<u>9,352,061</u>
Fund Balances - Ending	\$ <u>1,483,407</u>	<u>2,046,711</u>	<u>6,056,361</u>	<u>9,586,479</u>

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, 2009

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 234,418
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 \$117,432 were exceeded by depreciation of \$318,527 in the current period.	(201,095)
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 amount of the net gain of \$2,466 and the proceeds from the sale of \$23,983 in the current period.	(21,517)
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.	4,712
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 of debt repayments of \$104,363.	104,363
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:	
The decrease in compensated absences payable	2,911
The increase in accrued interest payable	<u>(15,464)</u>
Change in Net Assets of Governmental Activities	\$ <u>108,328</u>

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

FRANKLIN COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2009

Exhibit 5

Business-type
Activities -
Enterprise Fund
Sanitation and
Waste Removal
Fund

ASSETS

Current assets:

Cash	\$	213,008
Property tax receivable		165,000
Accounts receivable (net of allowance for uncollectibles of \$177,730)		170,006
Due from other funds		3,197
Total Current Assets		<u>551,211</u>

Noncurrent assets:

Capital assets:

Land and construction in progress		1,516
Other capital assets, net		31,947
Total Noncurrent Assets		<u>33,463</u>
Total Assets		<u>584,674</u>

LIABILITIES

Current liabilities:

Claims payable		21,199
Due to other funds		8,293
Advances from other funds		9,551
Deferred revenue		165,000
Unearned revenue		49,126
Non-capital debt:		
Compensated absences payable		10,992
Total Current Liabilities		<u>264,161</u>

NET ASSETS

Invested in capital assets, net of related debt		33,463
Restricted for:		
Public works		287,050
Total Net Assets	\$	<u>320,513</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, 2009

Exhibit 6

	Business-type Activities - Enterprise Fund Sanitation and Waste Removal Fund
Operating Revenues	
Charges for services	\$ 481,764
Miscellaneous	1,057
Total Operating Revenues	<u>482,821</u>
Operating Expenses	
Personal services	315,546
Contractual services	258,929
Materials and supplies	54,695
Indirect administrative cost	8,293
Total Operating Expenses	<u>637,463</u>
Operating Income (Loss)	<u>(154,642)</u>
Nonoperating Revenues (Expenses)	
Property tax	229,396
Interest income	3,989
Nonoperating grants	4,997
Net Nonoperating Revenue (Expenses)	<u>238,382</u>
Net Income (Loss)	<u>83,740</u>
Changes in Net Assets	83,740
Net Assets - Beginning	<u>236,773</u>
Net Assets - Ending	<u>\$ 320,513</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, 2009

Exhibit 7

	<u>Business-type Activities - Enterprise Fund Sanitation and Waste Removal Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 425,666
Payments to suppliers	(322,384)
Payments to employees	(313,977)
Other miscellaneous cash receipts	1,057
Net Cash Provided (Used) by Operating Activities	<u>(209,638)</u>
Cash Flows From Noncapital Financing Activities	
Nonoperating grants received	4,997
Cash received from property taxes	229,752
Cash received from other funds:	
Interfund loan repayments	<u>37,072</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>271,821</u>
Cash Flows From Investing Activities	
Interest on deposits	<u>3,989</u>
Net Cash Provided (Used) by Investing Activities	<u>3,989</u>
Net Increase (Decrease) in Cash and Cash Equivalents	66,172
Cash and Cash Equivalents at Beginning of Year	<u>146,836</u>
Cash and Cash Equivalents at End of Year	<u>\$ 213,008</u>

FRANKLIN COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2009

(Exhibit 7 Continued)

	Business-type Activities - Enterprise Fund <u>Sanitation and Waste Removal Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ <u>(154,642)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Provision for uncollectible accounts	78,698
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(140,830)
Increase (decrease) in claims payable	(8,760)
Increase (decrease) in unearned revenue	6,034
Increase (decrease) in compensated absences liability	1,569
Increase (decrease) in interfund payables	<u>8,293</u>
Total Adjustments	<u>(54,996)</u>
Net Cash Provided (Used) by Operating Activities	\$ <u><u>(209,638)</u></u>

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

FRANKLIN COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2009

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 514,922
Due from other funds	<u>3,549</u>
Total Assets	<u>\$ 518,471</u>
LIABILITIES	
Amounts held in custody for others	\$ <u>518,471</u>
Total Liabilities	<u>\$ 518,471</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, 2009

(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.

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. Individual Component Unit Disclosures.

Discretely Presented Component Units

The component units columns in the financial statements include the financial data of the following component units of the county. They are reported in a separate column to emphasize that they are legally separate from the county. All of the members of the governing bodies of these component units are appointed by the county Board of Supervisors.

The Franklin County Memorial Hospital consists of a 24-bed acute short-term care hospital and a 12-bed geriatric psychiatric unit which are owned by Franklin County, Mississippi. It is governed by a Board of Trustees appointed by the Board of Supervisors of Franklin County, Mississippi.

The Okhissa Lake Sewer District was created in July, 2004 by the Franklin County Board of Supervisors to provide sewer service to Okhissa Lake and the surrounding area. It is governed by a Board of Commissioners appointed by the Board of Supervisors of Franklin County.

The discretely presented component units are audited by independent auditors, and their financial statements are issued under separate covers. The audited financial statements are available from each discretely presented component unit.

C. 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.

FRANKLIN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2009

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 and its component units. 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. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Assets presents the financial condition of the governmental activities, business-type activities and discretely presented component units 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, business-type activities and discretely presented component units. 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-type activity 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.

D. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency 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. Agency funds have no measurement focus, but use the accrual basis of accounting.

The county's Proprietary Funds and business-type activities 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.

FRANKLIN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2009

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.

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 and culvert maintenance.

The county reports the following major Enterprise Fund:

Sanitation and Waste Removal Fund - This fund is used to account for the county's activities of 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.

E. 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, 2009

F. 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.

G. Receivables.

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

H. 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." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. 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."

I. 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 statements. 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.

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 and estimated useful lives:

FRANKLIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

	<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.

J. 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 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.

K. 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, construction or improvement 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 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.

FRANKLIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

L. 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.

M. 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.

N. 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 Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
To correct overestimation of federal reimbursement for expenses incurred as a result of Hurricane Gustav	\$ <u>289,691</u>

FRANKLIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.

Explanation	Amount
To correct overestimation of federal reimbursement for expenses incurred as a result of Hurricane Gustav	\$ <u>289,691</u>

(3) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2009, was \$10,337,658, and the bank balance was \$10,416,278. 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 Deposit Insurance Corporation (FDIC).

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.

Investments:

As provided in Section 91-13-8, Miss. Code Ann. (1972), the following investments of the county are handled through a trust indenture between the county and the trustee related to special obligation bonds for the Franklin County, Mississippi, Franklin County Memorial Hospital.

Investments balances at September 30, 2009, are as follows:

Investment Type	Maturities	Fair Value	Rating
Hancock Horizon Treasury Securities Money Market Mutual Fund	Less than one year	\$ <u>124,632</u>	AAAm

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 Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The county does not have a formal investment policy that would further limit its investments 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. The investments in the Hancock Horizon Treasury Securities Money Market Mutual Fund are uninsured and unregistered and are not backed by the full faith and credit of the federal government.

FRANKLIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2009:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other Governmental Funds	\$ 12,694
Other Governmental Funds	General	18,055
Countywide Bridge & Culvert	General	2,593
General	Sanitation and Waste Removal	8,293
Sanitation and Waste Removal	General	3,197
Agency Funds	General	<u>3,549</u>
Total		<u>\$ 48,381</u>

The amount payable to the General Fund from the Other Governmental Funds represents an error in posting revenue during the year. The amount payable to the General Fund from the Sanitation and Waste Removal Fund represents indirect administrative costs incurred for the fiscal year ended September 30, 2009. All other amounts listed represent the tax revenue collected but not settled until October, 2009. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Sanitation and Waste Removal	<u>\$ 9,551</u>

The amount payable to the General Fund represents indirect administrative costs incurred for the fiscal year ended September 30, 2008.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2009, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tag credit	\$ 31,695
Homeland Security	31,574
Reimbursement Hurricane Gustav	<u>54,387</u>
Total Governmental Activities	<u>\$ 117,656</u>

FRANKLIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2009:

Governmental activities:

	Balance Oct. 1, 2008	Additions	Deletions	Adjustments	Balance Sept. 30, 2009
<u>Non-depreciable capital assets:</u>					
Land	\$ 259,432				259,432
Total non-depreciable capital assets	259,432	0	0	0	259,432
<u>Depreciable capital assets:</u>					
Infrastructure	2,953,998				2,953,998
Buildings	1,947,363				1,947,363
Improvements other than buildings	332,052				332,052
Mobile equipment	4,026,001	117,432	214,502		3,928,931
Furniture and equipment	318,881		6,503		312,378
Leased property under capital leases	36,025				36,025
Total depreciable capital assets	9,614,320	117,432	221,005	0	9,510,747
<u>Less accumulated depreciation for:</u>					
Infrastructure	388,517	83,289			471,806
Buildings	942,673	35,600			978,273
Improvements other than buildings	172,670	13,283			185,953
Mobile equipment	3,344,330	139,309	193,050		3,290,589
Furniture and equipment	222,615	43,807	6,438		259,984
Leased property under capital leases	6,481	3,239			9,720
Total accumulated depreciation	5,077,286	318,527	199,488	0	5,196,325
Total depreciable capital assets, net	4,537,034	(201,095)	21,517	0	4,314,422
Governmental activities capital assets, net	\$ 4,796,466	(201,095)	21,517	0	4,573,854

FRANKLIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

Business-type activities:

	Balance Oct. 1, 2008	Additions	Deletions	Adjustments	Balance Sept. 30, 2009
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,516				1,516
Total non-depreciable capital assets	1,516	0	0	0	1,516
<u>Depreciable capital assets:</u>					
Mobile equipment	319,480				319,480
Total depreciable capital assets	319,480	0	0	0	319,480
<u>Less accumulated depreciation for:</u>					
Mobile equipment	287,533				287,533
Total accumulated depreciation	287,533	0	0	0	287,533
Total depreciable capital assets, net	31,947	0	0	0	31,947
Business-type activities capital assets, net	\$ 33,463	0	0	0	33,463

Discretely Presented Component Unit:
Franklin County Memorial Hospital:

	Balance Oct. 1, 2008	Additions	Deletions	Adjustments	Balance Sept. 30, 2009
<u>Non-depreciable capital assets:</u>					
Land	\$ 7,310				7,310
Total non-depreciable capital assets	7,310	0	0	0	7,310
<u>Depreciable capital assets:</u>					
Buildings	2,830,972	19,359			2,850,331
Land improvements	116,713	450			117,163
Fixed equipment	480,338				480,338
Mobile equipment	2,964,671	48,760			3,013,431
Property under capital leases	313,075				313,075
Total depreciable capital assets	6,705,769	68,569	0	0	6,774,338

FRANKLIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

	Balance Oct. 1, 2008	Additions	Deletions	Adjustments	Balance Sept. 30, 2009
<u>Less accumulated depreciation for:</u>					
Buildings	1,724,883	118,655			1,843,538
Land improvements	111,859	1,727			113,586
Fixed equipment	470,220	2,274			472,494
Mobile equipment	2,708,280	160,922			2,869,202
Total accumulated depreciation	<u>5,015,242</u>	<u>283,578</u>	<u>0</u>	<u>0</u>	<u>5,298,820</u>
Total depreciable capital assets, net	<u>1,690,527</u>	<u>(215,009)</u>	<u>0</u>	<u>0</u>	<u>1,475,518</u>
Franklin County Memorial Hospital capital assets, net	<u>\$ 1,697,837</u>	<u>(215,009)</u>	<u>0</u>	<u>0</u>	<u>1,482,828</u>

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 69,171
Public safety	89,440
Public works	<u>159,916</u>
Total governmental activities depreciation expense	<u>\$ 318,527</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 \$1,000,000 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, 2009, to January 1, 2010. 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, 2009:

Classes of Property	Governmental Activities
Mobile equipment	\$ 36,025
Less: Accumulated depreciation	<u>(9,720)</u>
Leased Property Under Capital Leases	<u>\$ 26,305</u>

FRANKLIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

The following is a schedule by years of the total payments due as of September 30, 2009:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2010	\$ 7,316	723
2011	7,648	391
2012	4,620	68
Total	\$ 19,584	1,182

(9) Long-term Debt.

Debt outstanding as of September 30, 2009, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. Limited Obligation Bonds:			
Hospital bonds - Series 2003	\$ 1,170,000	2.00/5.50%	07/2023
B. Equipment Notes:			
2005 Chevy dump truck	\$ 4,532	3.41%	03/2010
C. Capital Leases:			
New Holland model TL90A tractor	\$ 19,584	4.45%	04/2012
D. Other Loans:			
Fire truck CAP loan #01-019-CP-01	\$ 9,462	3.00%	09/2011
Fire truck CAP loan #03-019-CP-01	22,254	3.00%	01/2014
Total Other Loans	\$ 31,716		
Component Unit:			
Franklin County Memorial Hospital			
A. Short-term loan payable	\$ 104,500	Not disclosed	2010
B. Note payable	\$ 111,358	0.00%	2015
C. Capital Lease:			
Medical equipment	\$ 89,720	4.45/12.25%	2012

FRANKLIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

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
2010	\$ 60,000	61,854
2011	60,000	59,364
2012	65,000	56,694
2013	65,000	53,688
2014	70,000	50,600
2015 - 2019	420,000	189,750
2020 - 2023	430,000	60,500
Total	\$ 1,170,000	532,450

Year Ending September 30	Equipment Notes		Other Loans	
	Principal	Interest	Principal	Interest
2010	\$ 4,532	45	10,682	896
2011			9,813	571
2012			5,477	316
2013			5,644	150
2014			100	12
Total	\$ 4,532	45	31,716	1,945

Component Units:

Year Ending September 30	Notes and Leases	
	Principal	Interest
2010	\$ 179,798	3,365
2011	35,156	1,257
2012	29,378	197
2013	16,704	
2014	44,542	
Total	\$ 305,578	4,819

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, 2009, the amount of outstanding debt was equal to 1.40% of the latest property assessments.

FRANKLIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2009:

	Balance Oct. 1, 2008	Additions	Reductions	Adjustments	Balance Sept. 30, 2009	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 54,045		2,911		51,134	
Limited obligation bonds	1,225,000		55,000		1,170,000	60,000
Equipment notes	36,273		31,741		4,532	4,532
Capital leases	26,580		6,996		19,584	7,316
Other loans	42,342		10,626		31,716	10,682
Total	\$ 1,384,240	0	107,274	0	1,276,966	82,530
Business-type Activities:						
Compensated absences	\$ 9,423	1,569			10,992	
Total	\$ 9,423	1,569	0	0	10,992	0

(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.

Litigation has been filed against Franklin County involving plaintiffs Thomas Moore, individually and on behalf of all wrongful death beneficiaries and heirs at law of Charles Moore, deceased and Thelma Collins, individually and on behalf of all wrongful death beneficiaries and heirs at law of Henry Dee, deceased. The county intends to vigorously defend the lawsuit. An estimate or range of loss the county may incur as a result of this litigation cannot be made at this time.

(11) 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 \$177,600 for maintenance and support of the college in fiscal year 2009.

Southwest Mississippi Planning and Development District 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 four of the 40 members of the board of directors. The county appropriated \$18,104 for support of the district in fiscal year 2009.

FRANKLIN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2009

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 2009.

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 2009.

(12) 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 rate at September 30, 2009 was 12% 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, 2009, 2008 and 2007 were \$192,030, \$187,595 and \$184,351, respectively, equal to the required contributions for each year.

FRANKLIN COUNTY

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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, 2009

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,369,250	1,554,470	1,554,470	
Licenses, commissions and other revenue	69,400	94,792	94,792	
Fines and forfeitures	149,250	304,381	304,381	
Intergovernmental revenues	375,200	409,371	409,371	
Charges for services	46,000	11,980	11,980	
Interest income	6,050	36,901	36,901	
Miscellaneous revenues		25,681	25,681	
Total Revenues	<u>2,015,150</u>	<u>2,437,576</u>	<u>2,437,576</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	1,364,313	1,533,270	1,533,270	
Public safety	768,237	663,256	663,256	
Health and welfare	90,562	86,201	86,201	
Conservation of natural resources	65,275	63,320	63,320	
Economic development and assistance	12,002	7,068	7,068	
Total Expenditures	<u>2,300,389</u>	<u>2,353,115</u>	<u>2,353,115</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(285,239)</u>	<u>84,461</u>	<u>84,461</u>	<u>0</u>
Net Change in Fund Balance	(285,239)	84,461	84,461	0
Fund Balances - Beginning	<u>1,195,000</u>	<u>1,351,640</u>	<u>1,351,640</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 909,761</u>	<u>1,436,101</u>	<u>1,436,101</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, 2009

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 153,200	186,255	186,255	
Intergovernmental revenues	22,000	129,782	129,782	
Interest income	48,000	35,983	35,983	
Miscellaneous revenues	3,000			
Total Revenues	<u>226,200</u>	<u>352,020</u>	<u>352,020</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	104,929	192,383	192,383	
Total Expenditures	<u>104,929</u>	<u>192,383</u>	<u>192,383</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>121,271</u>	<u>159,637</u>	<u>159,637</u>	<u>0</u>
Net Change in Fund Balance	121,271	159,637	159,637	0
Fund Balances - Beginning	<u>1,875,000</u>	<u>1,886,257</u>	<u>1,886,257</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 1,996,271</u>	<u>2,045,894</u>	<u>2,045,894</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, 2009

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>	
	<u>General Fund</u>	<u>Countywide Bridge and Culvert Fund</u>
Budget (Cash Basis)	\$ 84,461	159,637
Increase (Decrease)		
Net adjustments for revenue accruals	677,654	(101,700)
Net adjustments for expenditure accruals	<u>(600,205)</u>	<u>28,353</u>
GAAP Basis	<u>\$ 161,910</u>	<u>86,290</u>

FRANKLIN COUNTY

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FRANKLIN COUNTY

SUPPLEMENTAL INFORMATION

FRANKLIN COUNTY

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FRANKLIN COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2009

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture/ Passed-through the Mississippi State Treasurer's Office Schools and roads grants to states*	10.665	N/A	\$ <u>1,258,046</u>
U.S. Department of Justice - Office of Justice Programs/ Passed-through the Mississippi Department of Public Safety Edward Byrne memorial justice assistance grant program	16.738	08LB1191	<u>4,171</u>
U.S. Department of Transportation - Federal Highway Administration/ Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	BR NBIS 070 B (19)	<u>8,400</u>
U.S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency Emergency management performance grants	97.042	N/A	<u>12,499</u>
Total Expenditures of Federal Awards			\$ <u><u>1,283,116</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

* Denotes major federal award program

FRANKLIN COUNTY

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FRANKLIN COUNTY

SPECIAL REPORTS

FRANKLIN COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Members of the Board of Supervisors
Franklin County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Franklin County, Mississippi, as of and for the year ended September 30, 2009, which collectively comprise the county's basic financial statements and have issued our report thereon dated June 8, 2010. Our report includes a reference to other auditors. 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. Other auditors audited the financial statements of the Okhissa Lake Sewer District and the Franklin County Memorial Hospital, as described in our report on Franklin County, Mississippi's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting and on compliance and other matters that are reported separately by those auditors.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 09-1, 09-2 and 09-3 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 09-1, 09-2 and 09-3 to be material weaknesses.

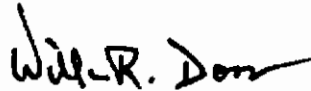
Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



STACEY E. PICKERING
State Auditor



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

June 8, 2010



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board of Supervisors
Franklin County, Mississippi

Compliance

We have audited the compliance of Franklin County, Mississippi with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2009. Franklin County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Franklin County, Mississippi's management. Our responsibility is to express an opinion on Franklin County, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Franklin County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Franklin County, Mississippi's compliance with those requirements.

In our opinion, Franklin County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2009.

Internal Control Over Compliance

The management of Franklin County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Franklin County, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

A control deficiency in a county's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control.

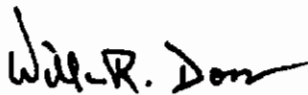
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control.

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

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



STACEY E. PICKERING
State Auditor



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

June 8, 2010



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
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, 2009. 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.

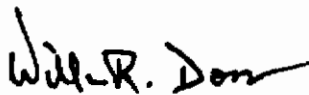
In our opinion, Franklin County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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.



STACEY E. PICKERING
State Auditor



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

June 8, 2010

FRANKLIN COUNTY
 Schedule of Purchases Not Made From the Lowest Bidder
 For the Year Ended September 30, 2009

Schedule 1

<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>
12/08/2008	Bridge approaches for Concord Road	\$ 281,565	Dozer, LLC	\$ 273,890	Buford Construction had the lowest bid, but there was an error in their bid form.
04/06/2009	Roof for Superintendent of Education Building	78,500	Central Roofing	54,975	U.S. Coating Specialty had the lowest bid, but they withdrew their bid.

FRANKLIN COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2009

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
01/05/2009	Repairs to cross drain pipe on Hamburg Road	\$ 30,000	Midway Construction	To accommodate the travelling public and eliminate the safety hazard of the washed out cross drain pipe on Hamburg Road.

FRANKLIN COUNTY

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2009

Schedule 3

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

FRANKLIN COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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, 2009, we considered Franklin County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions 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 June 8, 2010, 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, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

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STACEY E. PICKERING
State Auditor

Handwritten signature of William R. Doss in black ink.

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

June 8, 2010

FRANKLIN COUNTY

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FRANKLIN COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FRANKLIN COUNTY

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FRANKLIN COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2009

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | |
|-----|--|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiency identified that is not considered to be a material weakness? | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. | Any audit finding disclosed that is required to be reported in accordance with Section ____ .510(a) of OMB Circular A-133? | No |
| 7. | Federal program identified as a major program:

Schools and roads_grants to states, CFDA #10.665 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit finding and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? | No |

FRANKLIN COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2009

Section 2: Financial Statement Findings

Circuit Clerk.

Significant Deficiency - Material Weakness

09-1. Finding

Accountability and stewardship are overall goals in evaluating management's accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, performing reconciliations, and authorizing disbursements should be segregated. Based on inquiries of county personnel and test work performed, it was noted that receiving, receipting, recording, depositing cash and checks, performing reconciliations, and authorizing disbursements within the Circuit Clerk's office were not properly segregated to assure adequate internal control structure. These conditions could result in unrecorded transactions, misstated financial reports, undetected errors or misappropriation of funds.

Recommendation

Management should be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's knowledge of office operations and a periodic review of operations.

Circuit Clerk's Response

In response to the finding in the Franklin County Circuit Clerk's office for the county's FYE 9/30/09 annual audit, I have implemented an extra step in my monthly settlements and bank reconciliations. Due to the fact that we are a very small county and I have only myself and one deputy in my office, I will balance my Civil, Criminal and Fee accounts at the end of each month (as normal), and then present them, along with my bank reconciliations, to Jill Gilbert, Chancery Clerk/County Auditor, for her inspection and signature. I believe that this will satisfy your findings.

Justice Court Clerk.

Significant Deficiency - Material Weakness

09-2. Finding

Accountability and stewardship are overall goals in evaluating management's accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, performing reconciliations, and authorizing disbursements should be segregated. Based on inquiries of county personnel and test work performed, it was noted that receiving, receipting, recording, performing reconciliations, and authorizing disbursements within the Justice Court Clerk's office were not properly segregated to assure adequate internal control structure. These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation

Management should be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's knowledge of office operations and a periodic review of operations.

FRANKLIN COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2009

Justice Court Clerk's Response

In response to the finding in the Franklin County Justice Court office for FYE 09/30/09 audit, I will begin, in April, presenting my bank reconciliations and my journals to Jill Gilbert, County Auditor and Chancery Clerk, so that she can sign off on my accounts each month showing that they are in balance and reconciled.

Sheriff.

Significant Deficiency - Material Weakness

09-3. Finding

An effective system of internal control over cash requires that daily bank deposits be made. As reported in the prior year's audit report, the Sheriff failed to make daily deposits throughout the fiscal year. This failure to make daily deposits could result in the misappropriation of public funds.

Recommendation

The Sheriff should implement internal controls to ensure that daily bank deposits are made.

Sheriff's Response

I agree with this finding and this department will comply with making daily deposits.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.