

# FRANKLIN COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports  
For the Year Ended September 30, 2010

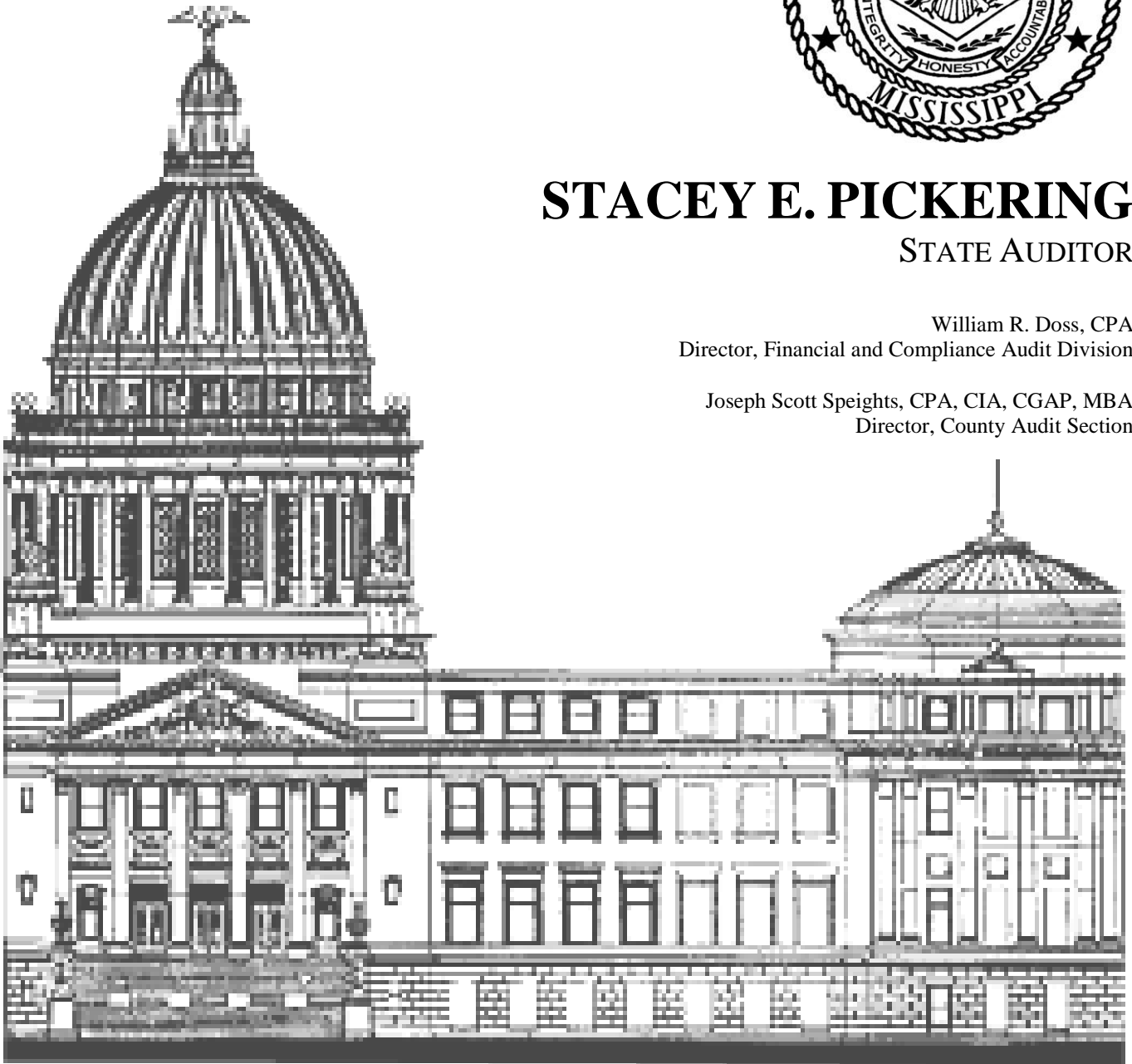


## STACEY E. PICKERING

STATE AUDITOR

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

Joseph Scott Speights, CPA, CIA, CGAP, MBA  
Director, County Audit Section



A Report from the County Audit Section

[www.osa.state.ms.us](http://www.osa.state.ms.us)





**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

November 18, 2011

Members of the Board of Supervisors  
Franklin County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2010 financial and compliance audit report for Franklin County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed 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.

I appreciate the cooperation and courtesy extended by the officials and employees of Franklin County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Franklin County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering".

Stacey E. Pickering  
State Auditor

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, 2010, 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 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 relate to the amounts included for the aforementioned component units, is based on the reports of the other auditors.

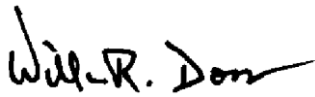
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of 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, 2010, 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 November 18, 2011, 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.

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. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of other auditors, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Will. R. Dooss". The signature is written in a cursive style with a long horizontal stroke at the end.

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

November 18, 2011

FRANKLIN COUNTY

FINANCIAL STATEMENTS

FRANKLIN COUNTY

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FRANKLIN COUNTY  
Statement of Net Assets  
September 30, 2010

Exhibit 1

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Okhissa Lake Sewer District	Franklin County Memorial Hospital	Total Component Units
<b>ASSETS</b>						
Cash	\$ 9,749,993	109,583	9,859,576	109,373	1,136,983	1,246,356
Investments	123,655		123,655			
Property tax receivable	1,713,500	167,000	1,880,500			
Accounts receivable (net of allowance for uncollectibles of \$87,004)		97,072	97,072			
Fines receivable (net of allowance for uncollectibles of \$247,797)	74,493		74,493			
Patient accounts receivable (net of allowance for uncollectibles of \$2,209,467)					3,256,684	3,256,684
Intergovernmental receivables	48,144		48,144	29,681		29,681
Other receivables	145		145	12,050	520,523	532,573
Internal balances	5,513	(5,513)				
Inventories and prepaid items					88,391	88,391
Prepaid expenses					119,162	119,162
Deferred expenses					15,434	15,434
Other assets					55,948	55,948
Capital assets:						
Land and construction in progress	259,432	1,516	260,948			0
Other capital assets, net	4,214,427	119,792	4,334,219	1,776,815	2,436,227	4,213,042
<b>Total Assets</b>	<b>16,189,302</b>	<b>489,450</b>	<b>16,678,752</b>	<b>1,927,919</b>	<b>7,629,352</b>	<b>9,557,271</b>
<b>LIABILITIES</b>						
Claims payable	220,467	37,254	257,721	120,874	1,148,785	1,269,659
Accrued salaries and withholdings					660,762	660,762
Intergovernmental payables	81,304		81,304			
Accrued interest payable	14,841		14,841			
Deferred revenue	1,713,500	167,000	1,880,500			
Unearned revenue		48,021	48,021			
Estimated third party settlements					570,320	570,320
Other payables	43,400		43,400			

FRANKLIN COUNTY  
Statement of Net Assets  
September 30, 2010

Exhibit 1

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Okhissa Lake Sewer District	Franklin County Memorial Hospital	Total Component Units
Long-term liabilities						
Due within one year:						
Capital debt	17,461		17,461		229,303	229,303
Non-capital debt	60,000		60,000			
Due in more than one year:						
Capital debt	15,755		15,755		921,622	921,622
Non-capital debt	1,106,414	12,408	1,118,822			
Total Liabilities	<u>3,273,142</u>	<u>264,683</u>	<u>3,537,825</u>	<u>120,874</u>	<u>3,530,792</u>	<u>3,651,666</u>
NET ASSETS						
Invested in capital assets, net of related debt	4,440,643	121,308	4,561,951	1,776,815	1,285,302	3,062,117
Restricted:						
Expendable:						
General government	413,191		413,191			
Debt service	231,077		231,077			
Public safety	695,880		695,880			
Public works	6,608,727	103,459	6,712,186			
Health and Welfare	166,742		166,742			
Unemployment compensation	32,960		32,960			
Unrestricted	<u>326,940</u>		<u>326,940</u>	<u>30,230</u>	<u>2,813,258</u>	<u>2,843,488</u>
Total Net Assets	<u>\$ 12,916,160</u>	<u>224,767</u>	<u>13,140,927</u>	<u>1,807,045</u>	<u>4,098,560</u>	<u>5,905,605</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, 2010

Exhibit 2

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 Governmental Activities	Business-type Activities	Total	Okhissa Lake Sewer District	Franklin County Memorial Hospital	Total Component Units
Primary government:										
Governmental activities:										
General government	\$ 1,705,307	299,349			(1,405,958)		(1,405,958)			
Public safety	724,756	115,548	110,185		(499,023)		(499,023)			
Public works	2,177,597		1,659,542	71,862	(446,193)		(446,193)			
Health and welfare	99,966		6,396		(93,570)		(93,570)			
Culture and recreation	7,173				(7,173)		(7,173)			
Education	575,600				(575,600)		(575,600)			
Conservation of natural resources	63,475				(63,475)		(63,475)			
Economic development and assistance	6,128				(6,128)		(6,128)			
Interest on long-term debt	62,880				(62,880)		(62,880)			
Total Governmental Activities	<u>5,422,882</u>	<u>414,897</u>	<u>1,776,123</u>	<u>71,862</u>	<u>(3,160,000)</u>	<u>0</u>	<u>(3,160,000)</u>			
Business-type activities:										
Solid waste	<u>660,615</u>	<u>335,455</u>	<u>2,738</u>			<u>(322,422)</u>	<u>(322,422)</u>			
Total Primary Government	<u>\$ 6,083,497</u>	<u>750,352</u>	<u>1,778,861</u>	<u>71,862</u>	<u>(3,160,000)</u>	<u>(322,422)</u>	<u>(3,482,422)</u>			
Component units:										
Okhissa Lake Sewer District	\$ 80,041	30,218		559,840				510,017		510,017
Franklin County Memorial Hospital	<u>10,169,096</u>	<u>10,327,272</u>	<u>36,985</u>						195,161	195,161
Total Component Units	<u>\$ 10,249,137</u>	<u>10,357,490</u>	<u>36,985</u>	<u>559,840</u>				<u>510,017</u>	<u>195,161</u>	<u>705,178</u>
General revenues:										
Property taxes					\$ 2,314,419	222,323	2,536,742			
Road & bridge privilege taxes					128,383		128,383			
Grants and contributions not restricted to specific programs					595,849		595,849			
Unrestricted interest income					54,763	1,821	56,584	936	7,556	8,492
Miscellaneous					39,543	2,532	42,075		1,000	1,000
Total General Revenues					<u>3,132,957</u>	<u>226,676</u>	<u>3,359,633</u>	<u>936</u>	<u>8,556</u>	<u>9,492</u>
Changes in Net Assets					<u>(27,043)</u>	<u>(95,746)</u>	<u>(122,789)</u>	<u>510,953</u>	<u>203,717</u>	<u>714,670</u>
Net Assets - Beginning					<u>12,943,203</u>	<u>320,513</u>	<u>13,263,716</u>	<u>1,296,092</u>	<u>3,894,843</u>	<u>5,190,935</u>
Net Assets - Ending					<u>\$ 12,916,160</u>	<u>224,767</u>	<u>13,140,927</u>	<u>1,807,045</u>	<u>4,098,560</u>	<u>5,905,605</u>

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

FRANKLIN COUNTY  
 Balance Sheet - Governmental Funds  
 September 30, 2010

Exhibit 3

	Major Funds			Total Governmental Funds
	General Fund	Countywide Bridge and Culvert Fund	Other Governmental Funds	
<b>ASSETS</b>				
Cash	\$ 1,889,667	2,044,173	5,816,153	9,749,993
Investments			123,655	123,655
Property tax receivable	1,220,000	10,000	483,500	1,713,500
Fines receivable (net of allowance for uncollectibles of \$247,797)	74,493			74,493
Intergovernmental receivables	48,144			48,144
Other receivables	145			145
Due from other funds	8,734	208	17,873	26,815
Total Assets	\$ 3,241,183	2,054,381	6,441,181	11,736,745
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Claims payable	\$ 69,738	8,436	142,293	220,467
Intergovernmental payables	81,304			81,304
Due to other funds	21,302			21,302
Deferred revenue	1,294,493	10,000	483,500	1,787,993
Other payables	32,514		10,886	43,400
Total Liabilities	1,499,351	18,436	636,679	2,154,466
Fund balances:				
Reserved for:				
General government			111,052	111,052
Debt service			245,918	245,918
Public Safety			661,849	661,849
Public Works		2,035,945	4,585,981	6,621,926
Health and welfare			166,742	166,742
Unemployment compensation			32,960	32,960
Unreserved - undesignated, reported in:				
General Fund	1,741,832			1,741,832
Total Fund Balances	1,741,832	2,035,945	5,804,502	9,582,279
Total Liabilities and Fund Balances	\$ 3,241,183	2,054,381	6,441,181	11,736,745

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

## FRANKLIN COUNTY

Exhibit 3-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
September 30, 2010

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 9,582,279
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 \$5,372,092.	4,473,859
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	74,493
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(1,199,630)
Accrued interest payable is not due and payable in the current period and, therefore, are not reported in the funds.	<u>(14,841)</u>
Total Net Assets - Governmental Activities	\$ <u><u>12,916,160</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, 2010

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Countywide Bridge and Culvert Fund		
<b>REVENUES</b>				
Property taxes	\$ 1,669,939	15,909	628,571	2,314,419
Road and bridge privilege taxes			128,383	128,383
Licenses, commissions and other revenue	82,926			82,926
Fines and forfeitures	235,377		5,754	241,131
Intergovernmental revenues	1,224,853	40,467	1,178,514	2,443,834
Charges for services	2,500		89,149	91,649
Interest income	18,195	6,281	30,287	54,763
Miscellaneous revenues	27,176	3,795	7,654	38,625
Total Revenues	<u>3,260,966</u>	<u>66,452</u>	<u>2,068,312</u>	<u>5,395,730</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,594,456		76,868	1,671,324
Public safety	681,280		31,582	712,862
Public works		78,960	2,041,631	2,120,591
Health and welfare	88,245		12,930	101,175
Culture and recreation				0
Education	575,600			575,600
Conservation of natural resources	63,475		7,173	70,648
Economic development and assistance	6,128			6,128
Debt service:				
Principal			82,616	82,616
Interest			66,128	66,128
Total Expenditures	<u>3,009,184</u>	<u>78,960</u>	<u>2,318,928</u>	<u>5,407,072</u>
Excess of Revenues over (under) Expenditures	<u>251,782</u>	<u>(12,508)</u>	<u>(250,616)</u>	<u>(11,342)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	7,144			7,144
Transfers In		1,742	8,756	10,498
Transfers Out	(501)		(9,997)	(10,498)
Total Other Financing Sources and Uses	<u>6,643</u>	<u>1,742</u>	<u>(1,241)</u>	<u>7,144</u>
Net Changes in Fund Balances	<u>258,425</u>	<u>(10,766)</u>	<u>(251,857)</u>	<u>(4,198)</u>
Fund Balances - Beginning	<u>1,483,407</u>	<u>2,046,711</u>	<u>6,056,359</u>	<u>9,586,477</u>
Fund Balances - Ending	<u>\$ 1,741,832</u>	<u>2,035,945</u>	<u>5,804,502</u>	<u>9,582,279</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, 2010

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (4,198)
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 \$155,229 were exceeded by depreciation of \$248,998 in the current period.	(93,769)
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 \$918 and the proceeds from the sale of \$7,144 in the current period.	(6,226)
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.	(809)
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 \$82,616.	82,616
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 increase in compensated absences payable	(5,280)
The decrease in accrued interest payable	<u>623</u>
Change in Net Assets of Governmental Activities	\$ <u><u>(27,043)</u></u>

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

FRANKLIN COUNTY  
Statement of Net Assets - Proprietary Fund  
September 30, 2010

Exhibit 5

	Business-type Activities - Enterprise Fund
	<u>Sanitation and Waste Removal Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 109,583
Property tax receivable	167,000
Accounts receivable (net of allowance for uncollectibles of \$87,004 )	97,072
Due from other funds	<u>3,221</u>
Total Current Assets	<u>376,876</u>
Noncurrent assets:	
Capital assets:	
Land and construction in progress	1,516
Other capital assets, net	<u>119,792</u>
Total Noncurrent Assets	<u>121,308</u>
Total Assets	<u>498,184</u>
<b>LIABILITIES</b>	
Current liabilities:	
Claims payable	37,254
Due to other funds	8,734
Deferred revenue	167,000
Unearned revenue	48,021
Non-capital debt:	
Compensated absences payable	<u>12,408</u>
Total Current Liabilities	<u>273,417</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	121,308
Restricted for:	
Public works	<u>103,459</u>
Total Net Assets	<u>\$ 224,767</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, 2010

Exhibit 6

	Business-type Activities - Enterprise Fund
	<u>Sanitation and Waste Removal Fund</u>
Operating Revenues	
Charges for services	\$ 335,455
Miscellaneous	2,532
Total Operating Revenues	<u>337,987</u>
Operating Expenses	
Personal services	316,585
Contractual services	235,060
Materials and supplies	80,951
Depreciation expense	19,285
Indirect administrative cost	8,734
Total Operating Expenses	<u>660,615</u>
Operating Income (Loss)	<u>(322,628)</u>
Nonoperating Revenues (Expenses)	
Property tax	222,323
Interest income	1,821
Intergovernmental grants	2,738
Net Nonoperating Revenue (Expenses)	<u>226,882</u>
Net Income (Loss)	<u>(95,746)</u>
Changes in Net Assets	<u>(95,746)</u>
Net Assets - Beginning	<u>320,513</u>
Net Assets - Ending	<u>\$ 224,767</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, 2010

Exhibit 7

	Business-type Activities - <u>Enterprise Fund</u>
	<u>Sanitation and Waste Removal Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 407,285
Payments to suppliers	(299,956)
Payments to employees	(315,169)
Payments to General Fund for indirect costs	(17,844)
Other operating cash receipts	<u>2,532</u>
Net Cash Provided (Used) by Operating Activities	<u>(223,152)</u>
Cash Flows From Noncapital Financing Activities	
Intergovernmental grants received	2,738
Cash received from property taxes	<u>222,299</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>225,037</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	<u>(107,131)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(107,131)</u>
Cash Flows From Investing Activities	
Interest and dividends on investments	<u>1,821</u>
Net Cash Provided (Used) by Investing Activities	<u>1,821</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(103,425)
Cash and Cash Equivalents at Beginning of Year	<u>213,008</u>
Cash and Cash Equivalents at End of Year	<u>\$ 109,583</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (322,628)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Provision for uncollectible accounts	(90,726)
Depreciation expense	19,285
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	163,660
Increase (decrease) in claims payable	16,055
Increase (decrease) in unearned revenue	(1,104)
Increase (decrease) in compensated absences liability	1,416
Increase (decrease) in interfund payables	<u>(9,110)</u>
Total Adjustments	<u>99,476</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (223,152)</u>

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

FRANKLIN COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2010

Exhibit 8

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 537,659
Other Receivables	3,382
Total Assets	\$ <u><u>541,041</u></u>
<b>LIABILITIES</b>	
Amounts held in custody for others	\$ 541,041
Total Liabilities	\$ <u><u>541,041</u></u>

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

FRANKLIN COUNTY

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## FRANKLIN COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2010

#### (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, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

## FRANKLIN COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2010

#### 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 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-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 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, 2010

Governmental fund 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 venue 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, 2010

#### 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. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. 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, 2010

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:

	Capitalization Thresholds	Estimated Useful Life
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.

## FRANKLIN COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2010

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.

#### 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) Deposits and Investments.

##### Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2010, was \$10,397,235, and the bank balance was \$10,620,145. 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).

FRANKLIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2010

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:

Investment balances at September 30, 2010, are as follows:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
Hancock Horizon Treasury Securities Money Market Mutual Fund	Less than one year	\$ <u>123,655</u>	AAAm

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.

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.

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2010:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Sanitation and Waste Removal	\$ 8,734
Countywide Bridge & Culvert	General	208
Other Governmental Funds	General	17,873
Sanitation and Waste Removal	General	<u>3,221</u>
Total		<u>\$ 30,036</u>

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, 2010. All other amounts represent the tax revenue collected but not settled until October, 2010. All interfund balances are expected to be repaid within one year from the date of the financial statements.

FRANKLIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2010

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 501
Other Governmental Funds	Other Governmental Funds	8,255
Countywide Bridge and Culvert Fund	Other Governmental Funds	<u>1,742</u>
Total		<u>\$ 10,498</u>

All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2010, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 31,543
Homeland Security	<u>16,601</u>
Total Governmental Activities	<u>\$ 48,144</u>

(5) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2010:

Governmental activities:

	Balance <u>Oct. 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	Balance <u>Sept. 30, 2010</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 259,432				<u>259,432</u>
Total non-depreciable capital assets	<u>259,432</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>259,432</u>
<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	3,928,931	139,734	45,342		4,023,323
Furniture and equipment	312,378	15,495	34,115		293,758
Leased property under capital leases	<u>36,025</u>				<u>36,025</u>
Total depreciable capital assets	<u>9,510,747</u>	<u>155,229</u>	<u>79,457</u>	<u>0</u>	<u>9,586,519</u>

FRANKLIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2010

	Balance Oct. 1, 2009	Additions	Deletions	Adjustments	Balance Sept. 30, 2010
<u>Less accumulated depreciation for:</u>					
Infrastructure	471,806	83,289			555,095
Buildings	978,273	24,354			1,002,627
Improvements other than buildings	185,953	13,283			199,236
Mobile equipment	3,290,589	111,865	40,807		3,361,647
Furniture and equipment	259,984	12,968	32,424		240,528
Leased property under capital leases	9,720	3,239			12,959
Total accumulated depreciation	<u>5,196,325</u>	<u>248,998</u>	<u>73,231</u>		<u>5,372,092</u>
Total depreciable capital assets, net	<u>4,314,422</u>	<u>(93,769)</u>	<u>6,226</u>		<u>4,214,427</u>
Governmental activities capital assets, net	\$ <u>4,573,854</u>	<u>(93,769)</u>	<u>6,226</u>	<u>0</u>	<u>4,473,859</u>
<u>Business-type activities:</u>					
	Balance Oct. 1, 2009	Additions	Deletions	Adjustments	Balance Sept. 30, 2010
<u>Non-depreciable capital assets:</u>					
Land	\$ <u>1,516</u>				<u>1,516</u>
Total non-depreciable capital assets	<u>1,516</u>	<u>0</u>			<u>1,516</u>
<u>Depreciable capital assets:</u>					
Mobile equipment	<u>319,480</u>	<u>107,130</u>			<u>426,610</u>
Total depreciable capital assets	<u>319,480</u>	<u>107,130</u>			<u>426,610</u>
<u>Less accumulated depreciation for:</u>					
Mobile equipment	<u>287,533</u>	<u>19,285</u>			<u>306,818</u>
Total accumulated depreciation	<u>287,533</u>	<u>19,285</u>			<u>306,818</u>
Total depreciable capital assets, net	<u>31,947</u>	<u>87,845</u>			<u>119,792</u>
Business-type activities capital assets, net	\$ <u>33,463</u>	<u>87,845</u>	<u>0</u>	<u>0</u>	<u>121,308</u>

FRANKLIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2010

**Discretely Presented Component Unit:  
Okhissa Lake Sewer District**

	Balance Oct. 1, 2009	Additions	Deletions	Adjustments	Balance Sept. 30, 2010
<u>Non-depreciable capital assets:</u>					
Construction in Progress	\$ 1,300,547	509,352		(1,809,899)	0
Total non-depreciable capital assets	1,300,547	509,352		(1,809,899)	0
<u>Depreciable capital assets:</u>					
Sewer Plant – Pump Equipment and Electrical				1,809,899	1,809,899
<u>Less accumulated depreciation for:</u>					
Sewer Plant – Pump Equipment and Electrical		33,084			33,084
Total accumulated depreciation		33,084			33,084
Total capital assets, net	0	1,776,815	0	0	1,776,815

**Franklin County Memorial Hospital:**

	Balance Oct. 1, 2009	Additions	Deletions	Adjustments	Balance Sept. 30, 2010
<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	2,850,331	64,504			2,914,835
Land improvements	117,163				117,163
Mobile equipment	3,013,431	131,169		169,656	3,314,256
Fixed equipment	480,338				480,338
Property under capital leases	313,075	1,114,446		(197,775)	1,229,746
Total depreciable capital assets	6,774,338	1,310,119		(28,119)	8,056,338

FRANKLIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2010

	Balance Oct. 1, 2009	Additions	Deletions	Adjustments	Balance Sept. 30, 2010
Buildings	1,843,538	119,241			1,962,779
Land improvements	113,586	1,466			115,052
Mobile equipment	2,869,202	234,729		(28,119)	3,075,812
Fixed equipment	472,494	1,284			473,778
Total accumulated depreciation	5,298,820	356,720		(28,119)	5,627,421
Total depreciable capital assets, net	1,475,518	953,399	0	0	2,428,917
Franklin County Memorial Hospital capital assets, net	\$ 1,482,828	953,399	0	0	2,436,227

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 40,436
Public safety	48,531
Public works	160,031
Total governmental activities depreciation expense	\$ 248,998
Business-type activities:	
Solid waste	\$ 19,285
Total business-type activities depreciation expense	\$ 19,285

(6) 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, 2010, to January 1, 2011. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

FRANKLIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2010

(7) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2010:

Classes of Property		Activities
Mobile equipment	\$	36,025
Less: Accumulated depreciation		<u>(12,959)</u>
Leased Property Under Capital Leases	\$	<u><u>23,066</u></u>

The following is a schedule by years of the total payments due as of September 30, 2010:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2011	\$ 7,648	391
2012	<u>4,620</u>	<u>68</u>
Total	<u><u>\$ 12,268</u></u>	<u><u>459</u></u>

(8) Long-term Debt.

Debt outstanding as of September 30, 2010, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. Limited Obligation Bonds:			
Hospital bonds – Series 2003	\$ <u>1,110,000</u>	2.00/5.50%	7/2023
B. Capital Leases:			
New Holland model TL90A tractor	\$ <u>12,268</u>	4.45%	4/2012
C. Other Loans:			
Fire truck CAP loan #01-019-CP-01	\$ 3,879	3.00%	9/2011
Fire truck CAP loan #03-019-CP-01	<u>17,069</u>	3.00%	1/2014
Total Other Loans	<u><u>\$ 20,948</u></u>		

FRANKLIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2010

**Component Unit:**  
**Franklin County Memorial Hospital**

A. Note payable	\$	<u>94,647</u>	0.00%	2015
B. Capital Lease:				
Medical equipment	\$	<u>1,056,278</u>	0.00% to 12.05%	2016

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>
2011	\$ 60,000	59,364
2012	65,000	56,694
2013	65,000	53,688
2014	70,000	50,600
2015	420,000	189,500
2016 – 2020	<u>430,000</u>	<u>60,500</u>
Total	\$ <u>1,110,000</u>	<u>470,346</u>

<u>Year Ending September 30</u>	<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 9,813	571
2012	5,477	316
2013	5,644	150
2014	<u>14</u>	<u>12</u>
Total	\$ <u>20,948</u>	<u>1,049</u>

**Component Units:**

<u>Year Ending September 30</u>	<u>Notes and Leases</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 229,281	45,976
2012	230,591	36,334
2013	228,882	27,063
2014	238,802	17,142
2015	151,814	7,697
2016 – 2020	<u>71,555</u>	<u>2,005</u>
Total	\$ <u>1,150,925</u>	<u>136,217</u>

FRANKLIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2010

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, 2010, the amount of outstanding debt was equal to 1.50% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2010:

	Balance Oct. 1, 2009	Additions	Reductions	Adjustments	Balance Sept. 30, 2010	Amount due within one year
<b>Governmental Activities:</b>						
Compensated absences	\$ 51,134	5,280			56,414	
Limited obligation bonds	1,170,000		60,000		1,110,000	60,000
Equipment notes	4,532		4,532		0	
Capital leases	19,584		7,316		12,268	7,648
Other loans	31,716		10,768		20,948	9,813
Total	<u>\$ 1,276,966</u>	<u>5,280</u>	<u>82,616</u>	<u>0</u>	<u>1,199,630</u>	<u>77,461</u>
<b>Business-type Activities:</b>						
Compensated absences	\$ 10,992	1,416			12,408	
Total	<u>\$ 10,992</u>	<u>1,416</u>	<u>0</u>	<u>0</u>	<u>12,408</u>	<u>0</u>
<b>Component Unit:</b>						
Notes payable and capital lease obligation	\$ 305,578	1,114,446	269,099		1,150,925	229,303
Total	<u>\$ 305,578</u>	<u>1,114,446</u>	<u>269,099</u>	<u>0</u>	<u>1,150,925</u>	<u>229,303</u>

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Road Maintenance Fund and Sanitation and Waste Removal Fund.

(9) Contingencies.

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

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

## FRANKLIN COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2010

(10) 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 2010.

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 \$18,302 for maintenance and support of the district in fiscal year 2010.

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 maintenance and support of the Mental Health Complex in fiscal year 2010.

Southwest Mississippi Partnership operates 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 maintenance and support of the Southwest Mississippi Partnership in fiscal year 2010.

(11) 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. At September 30, 2010, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2010 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, 2010, 2009 and 2008 were \$196,841, \$192,030 and \$187,595, 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, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 1,562,350	1,676,497	1,676,497	
Licenses, commissions and other revenue	75,700	85,901	85,901	
Fines and forfeitures	209,800	247,294	247,294	
Intergovernmental revenues	528,500	667,599	667,599	
Charges for services	29,500	2,500	2,500	
Interest income	6,000	18,348	18,348	
Miscellaneous revenues		29,575	29,575	
<b>Total Revenues</b>	<b>2,411,850</b>	<b>2,727,714</b>	<b>2,727,714</b>	<b>0</b>
<b>EXPENDITURES</b>				
Current:				
General government	1,577,709	1,616,096	1,616,096	
Public safety	802,820	669,804	669,804	
Health and welfare	93,785	86,819	86,819	
Conservation of natural resources	66,270	62,912	62,912	
Economic development and assistance	9,002	6,992	6,992	
<b>Total Expenditures</b>	<b>2,549,586</b>	<b>2,442,623</b>	<b>2,442,623</b>	<b>0</b>
Excess of Revenues over (under) Expenditures	(137,736)	285,091	285,091	0
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		37,983	379,853	341,870
Transfers out		(349,817)	(349,817)	
<b>Total Other Financing Sources and Uses</b>	<b>0</b>	<b>(311,834)</b>	<b>30,036</b>	<b>341,870</b>
Net Change in Fund Balance	(137,736)	(26,743)	315,127	341,870
Fund Balances - Beginning	909,761	1,436,101	1,436,101	
<b>Fund Balances - Ending</b>	<b>\$ 772,025</b>	<b>1,409,358</b>	<b>1,751,228</b>	<b>341,870</b>

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, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 13,000	18,294	18,294	
Intergovernmental revenues	22,000	40,467	40,467	
Interest income	30,000	6,281	6,281	
Miscellaneous revenues	3,200	3,795	3,795	
Total Revenues	<u>68,200</u>	<u>68,837</u>	<u>68,837</u>	
<b>EXPENDITURES</b>				
Current:				
Public Works	119,825	72,300	72,300	
Total Expenditures	<u>119,825</u>	<u>72,300</u>	<u>72,300</u>	
Excess of Revenues over (under) Expenditures	<u>(51,625)</u>	<u>(3,463)</u>	<u>(3,463)</u>	
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		1,658,478	1,658,478	
Transfers out		(1,656,736)	(1,656,736)	
Total Other Financing Sources and Uses		<u>1,742</u>	<u>1,742</u>	
Net Change in Fund Balance	(51,625)	(1,721)	(1,721)	
Fund Balances - Beginning	<u>1,996,271</u>	<u>2,045,894</u>	<u>2,045,894</u>	
Fund Balances - Ending	<u>\$ 1,944,646</u>	<u>2,044,173</u>	<u>2,044,173</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, 2010

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:

	Governmental Fund Types	
	General Fund	Countywide Bridge and Culvert Fund
Budget (Cash Basis)	\$ 315,127	(1,721)
Increase (Decrease)		
Net adjustments for revenue accruals	160,543	(1,659,121)
Net adjustments for expenditure accruals	(217,245)	1,650,076
GAAP Basis	\$ 258,425	(10,766)

FRANKLIN COUNTY

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FRANKLIN COUNTY

SUPPLEMENTAL INFORMATION

FRANKLIN COUNTY  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2010

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>1,184,246</u>
U.S. Department of Justice - Office of Justice Programs/ Passed-through the Mississippi Department of Justice Bulletproof vest partnership program	16.607	N/A	1,726
Passed-through the Mississippi Department of Public Safety Edward Byrne memorial justice assistance grant program	16.738	092L1181	6,001
Edward Byrne memorial justice assistance grant program	16.738	092L1191	8,980
Edward Byrne memorial justice assistance grant program	16.738	07LB1192	<u>48,729</u>
Sub-Total			<u>63,710</u>
Total U.S. Department of Justice			<u>65,436</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>25,680</u>
U.S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency Emergency management performance grants	97.042	N/A	<u>6,434</u>
Total Expenditures of Federal Awards			\$ <u><u>1,281,796</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

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, 2010, which collectively comprise the county's basic financial statements and have issued our report thereon dated November 18, 2011. 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 to 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 auditor's testing of internal control over financial reporting and on compliance and other matters that are reported on 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.

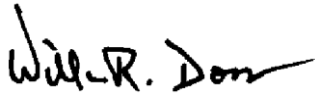
Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 10-1, 10-2 and 10-3 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*. However, we noted certain matters that we reported to management of Franklin County, Mississippi in the Limited Internal Control and Compliance Review Management Report dated November 18, 2011, included within this report.

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.

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

November 18, 2011



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
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 could have a direct and material effect on its major federal program for the year ended September 30, 2010. 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 could have a direct and material effect on its major federal program for the year ended September 30, 2010.

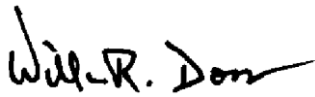
Internal Control Over Compliance

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

A deficiency in a county's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

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

November 18, 2011



**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 examined Franklin County, Mississippi's (the County) compliance with 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) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2010. The Board of Supervisors of Franklin County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

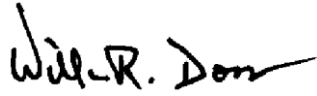
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered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

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.

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

November 18, 2011

FRANKLIN COUNTY  
 Schedule of Purchases Not Made From the Lowest Bidder  
 For the Year Ended September 30, 2010

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>
10/6/2009	Gas	\$ 2.1449	Kaiser Enterprises	\$ 1.959	Buffalo Services had the lowest bid, but they were unable to deliver in a timely manner.
10/6/2009	Diesel	2.2834	Kaiser Enterprises	2.049	

FRANKLIN COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2010

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
10/19/2009	Roof	\$ 2,550	Willie C. King, Sr.	Antioch voting precinct building suffered major damages to the roof.

FRANKLIN COUNTY  
Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2010

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, 2010, 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 November 18, 2011, on the financial statements of Franklin County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of 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.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. Finding

Section 27-105-5, Miss Code Ann. (1972), gives the responsibility to the State Treasurer for the collateralization of public deposits. However, the county is still required to perform certain duties related to the collateralization of public funds. During testwork performed, we noted the quarterly report from State Treasurer was not reconciled to the county's bank records.

Without accurate and timely reconciliation of the quarterly reports, the risk increase that the county's total deposits may not be properly collateralized.

Recommendation

The Board of Supervisors should ensure the reconciliation function is prepared quarterly

Board of Supervisors' Response

I will comply.

Sheriff.

2. Finding

Section 19-25-13, Miss Code Ann. (1972), requires the Sheriff to settle all collections of fees and charges to the county on a monthly basis. Settlements of collections were not made monthly. Failure to settle sheriff collections properly could result in loss or misappropriation of public funds.

Recommendation:

The Sheriff should settle all collections monthly, as required by law.

Sheriff's Response

After discussion with auditor and my new employee, this is now corrected.

Franklin County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

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.



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

November 18, 2011

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, 2010

Section 1: Summary of Auditor's Results

***Financial Statements:***

- |    |   |               |
|----|---|---------------|
| 1. | Type of auditor's report issued on the financial statements:                              |               |
|    | Governmental activities   | Unqualified   |
|    | Business-type activities  | Unqualified   |
|    | General Fund  | Unqualified   |
|    | Countywide Bridge and Culvert Fund  | Unqualified   |
|    | Sanitation and Waste Removal Fund   | Unqualified   |
|    | Aggregate remaining fund information  | 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(s) disclosed that are required to be reported in accordance with Section ____510(a) of OMB Circular A-133?  | No            |
| 7.  | Federal programs identified as major programs:  |               |
|     | a. School 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(s) 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, 2010

Section 2: Financial Statement Findings

Board of Supervisors

Significant Deficiency – Material Weakness

10-1. Finding

To ensure a proper accounting of funds, the duties of receiving, receipting, recording, performing reconciliations, and authorizing disbursements should be segregated. Based on inquires of county personnel and test work performed, it was noted that receiving, receipting, recording, performing reconciliations, and authorizing disbursements within the Solid Waste 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.

Board of Supervisors' Response

I will comply

Significant Deficiency – Material Weakness

10-2. Finding

An effective system of internal controls over solid waste accounts receivable should ensure that accounts receivable balances are properly aged in order to estimate the collectability of these accounts receivables. Internal control procedures were not in place over the aging of solid waste accounts receivable. Failure to establish control procedures over aging of solid waste accounts receivable could results in erroneous amounts being reported in the financial statements.

Recommendation

The Board of Supervisors should ensure that control procedures are in place to allow for the proper preparation of a detailed aged accounts receivable schedule for solid waste fees to properly report accounts receivable due to the county at net realizable value in the financial statements.

Board of Supervisors' Response

Monthly review of deposits, disbursements and bank statements will be conducted by the Chancery Clerk.

FRANKLIN COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2010

Sheriff.

Significant Deficiency – Material Weakness

10-3. Finding

An effective system of internal control over cash requires that daily bank deposits be made. As reported in the last two years' audit reports, 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 that we will make every effort to comply with this finding.

FRANKLIN COUNTY

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