

FRANKLIN COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2012

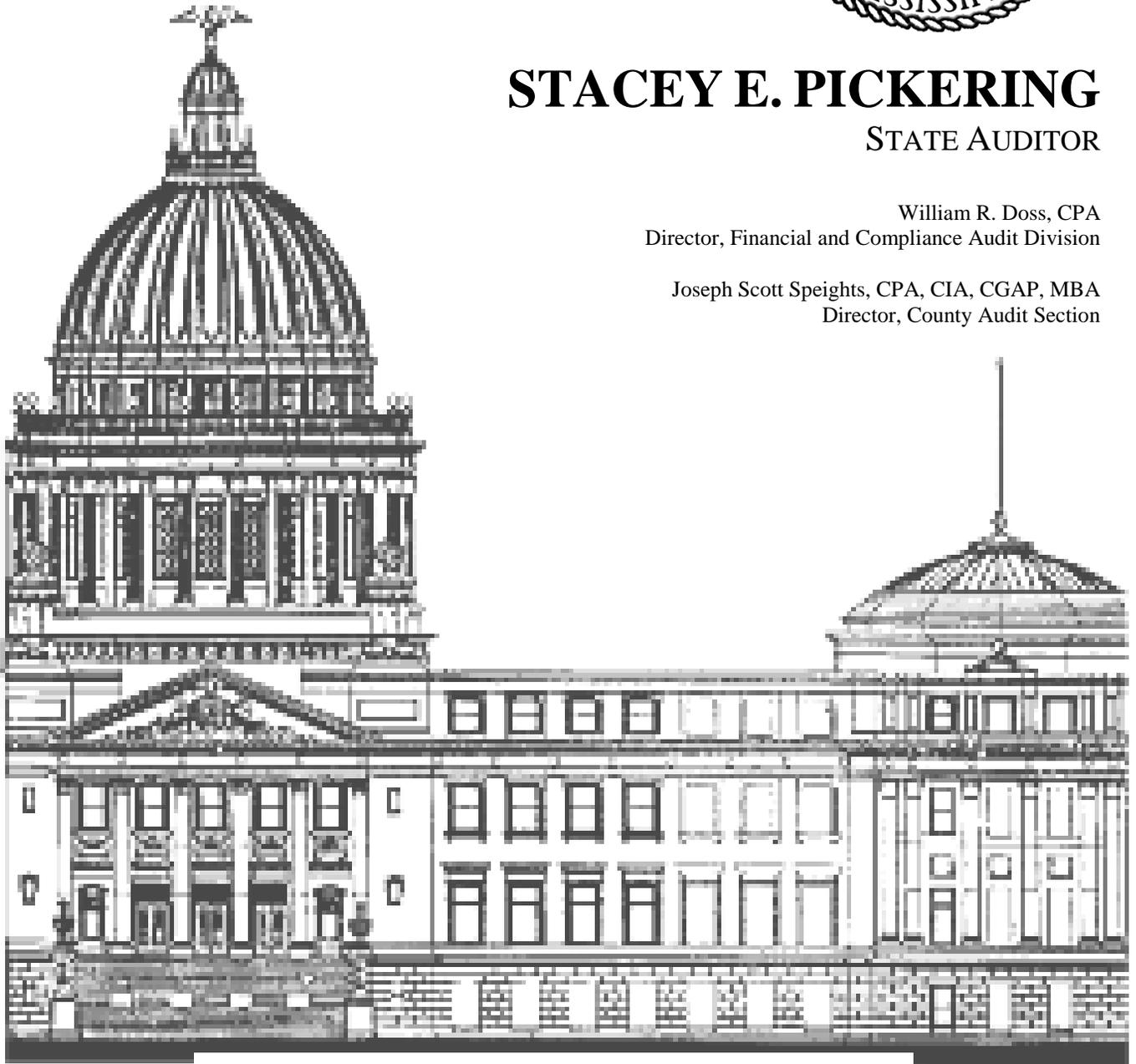


STACEY E. PICKERING

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



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

July 31, 2013

Members of the Board of Supervisors
Franklin County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2012 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". The signature is fluid and cursive, with a large initial "S" and "P".

Stacey E. Pickering
State Auditor

FRANKLIN COUNTY

TABLE OF CONTENTS

FINANCIAL STATEMENTS 1

INDEPENDENT AUDITOR’S REPORT 3

FINANCIAL STATEMENTS 5

 Statement of Net Assets - Cash Basis 7

 Statement of Activities - Cash Basis 8

 Statement of Cash Basis Assets and Fund Balances - Governmental Funds 9

 Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances -
 Governmental Funds 10

 Statement of Net Assets - Cash Basis - Proprietary Fund 11

 Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets - Proprietary
 Fund 12

 Statement of Fiduciary Assets and Liabilities - Cash Basis 13

 Notes to Financial Statements 15

SUPPLEMENTAL INFORMATION 21

 Schedule of Expenditures of Federal Awards 22

OTHER INFORMATION 23

 Budgetary Comparison Schedule - (Budget and Actual (Non-GAAP Basis) - General Fund 25

 Budgetary Comparison Schedule - (Budget and Actual (Non-GAAP Basis) - Countywide
 Bridge and Culvert Fund 26

 Schedule of Investments 27

 Schedule of Interfund Loans and Advances 28

 Schedule of Capital Assets 29

 Schedule of Changes in Long-term Debt 30

 Schedule of Surety Bonds for County Officials 31

 Notes to the Other Information 33

SPECIAL REPORTS 35

 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* 37

 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 39

 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)) 41

 Limited Internal Control and Compliance Review Management Report 47

SCHEDULE OF FINDINGS AND QUESTIONED COSTS 49

FRANKLIN COUNTY

FINANCIAL SECTION

FRANKLIN COUNTY

(This page left blank intentionally.)



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, each major fund and the aggregate remaining fund information of Franklin County, Mississippi, (the County) as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, Franklin County, Mississippi prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements do not include financial data for the County's legally separate component units. Accounting principles applicable to the County's cash basis of accounting require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component units, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles applicable to the County's cash basis of accounting, the cash basis financial position of the aggregate discretely presented component units of Franklin County, Mississippi, as of September 30, 2012, or the changes in cash basis financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Franklin County, Mississippi, as of September 30, 2012, and the respective changes in cash basis financial position thereof for the year then ended, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2013, 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise Franklin County, Mississippi's basic financial statements. The Budgetary Comparison Schedules, Schedule of Investments, Schedule of Interfund Loans and Advances, Schedule of Capital Assets, Schedule of Changes in Long-term Debt, Schedule of Surety Bonds for County Officials and corresponding notes are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such Information.



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

July 31, 2013

FRANKLIN COUNTY

FINANCIAL STATEMENTS

FRANKLIN COUNTY

(This page left blank intentionally)

FRANKLIN COUNTY
Statement of Net Assets - Cash Basis
September 30, 2012

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 10,001,058	80,181	10,081,239
Total Assets	<u>10,001,058</u>	<u>80,181</u>	<u>10,081,239</u>
NET ASSETS			
Restricted:			
Expendable:			
General government	126,715		126,715
Public safety	1,328,097		1,328,097
Public works	6,153,486	80,181	6,233,667
Health and welfare	370,338		370,338
Debt service	56,079		56,079
Unemployment compensation	33,065		33,065
Unrestricted	<u>1,933,278</u>		<u>1,933,278</u>
Total Net Assets	\$ <u>10,001,058</u>	<u>80,181</u>	<u>10,081,239</u>

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

FRANKLIN COUNTY
Statement of Activities- Cash Basis
For the Year Ended September 30, 2012

Exhibit 2

Functions/Programs	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,489,349	279,008	15,483		(1,194,858)		(1,194,858)
Public safety	856,701	113,301	70,599		(672,801)		(672,801)
Public works	2,771,529		2,357,729	578,641	164,841		164,841
Health and welfare	191,429		96,608		(94,821)		(94,821)
Culture and recreation	8,834				(8,834)		(8,834)
Education	808,173				(808,173)		(808,173)
Conservation of natural resources	65,583				(65,583)		(65,583)
Economic development and assistance	6,926				(6,926)		(6,926)
Debt service:							
Principal	75,095				(75,095)		(75,095)
Interest	57,055				(57,055)		(57,055)
Total Governmental Activities	<u>6,330,674</u>	<u>392,309</u>	<u>2,540,419</u>	<u>578,641</u>	<u>(2,819,305)</u>	<u>0</u>	<u>(2,819,305)</u>
Business-type activities:							
Solid Waste	<u>617,827</u>	<u>430,802</u>				<u>(187,025)</u>	<u>(187,025)</u>
Total Business-type Activities	<u>617,827</u>	<u>430,802</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(187,025)</u>	<u>(187,025)</u>
Total Primary Government	<u>\$ 6,948,501</u>	<u>823,111</u>	<u>2,540,419</u>	<u>578,641</u>	<u>(2,819,305)</u>	<u>(187,025)</u>	<u>(3,006,330)</u>
General receipts:							
Property taxes					\$ 2,208,879	213,527	2,422,406
Road & bridge privilege taxes					138,749		138,749
Grants and contributions not restricted to specific programs					863,106		863,106
Unrestricted interest income					14,105	284	14,389
Miscellaneous					27,346	2,560	29,906
Proceeds from debt issuance					54,000		54,000
Sale of county property					17,013		17,013
Transfers					8,532	(8,532)	0
Total General Receipts, Other Cash Sources, and Transfers					<u>3,331,730</u>	<u>207,839</u>	<u>3,539,569</u>
Changes in Net Assets					<u>512,425</u>	<u>20,814</u>	<u>533,239</u>
Net Assets - Beginning of year					<u>9,488,633</u>	<u>59,367</u>	<u>9,548,000</u>
Net Assets - End of year					<u>\$ 10,001,058</u>	<u>80,181</u>	<u>10,081,239</u>

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

FRANKLIN COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
September 30, 2012

Exhibit 3

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Countywide Bridge and Culvert Fund</u>	<u>Other Governmental Funds</u>	
ASSETS				
Cash	\$ <u>1,933,278</u>	<u>1,967,047</u>	<u>6,100,733</u>	<u>10,001,058</u>
Total Assets	\$ <u>1,933,278</u>	<u>1,967,047</u>	<u>6,100,733</u>	<u>10,001,058</u>
FUND BALANCES				
Restricted for:				
General government	\$		126,715	126,715
Public safety			1,328,097	1,328,097
Public works		1,967,047	4,186,439	6,153,486
Health and welfare			370,338	370,338
Debt service			56,079	56,079
Unemployment compensation			33,065	33,065
Unassigned	<u>1,933,278</u>			<u>1,933,278</u>
Total Fund Balances	\$ <u>1,933,278</u>	<u>1,967,047</u>	<u>6,100,733</u>	<u>10,001,058</u>

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

FRANKLIN COUNTY

Exhibit 4

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances -
Governmental Funds
For the Year Ended September 30, 2012

	Major Funds			Total Governmental Funds
	General Fund	Countywide Bridge and Culvert Fund	Other Governmental Funds	
RECEIPTS				
Property taxes	\$ 1,466,118	18,892	723,869	2,208,879
Road and bridge privilege taxes			138,749	138,749
Licenses, commissions and other receipts	79,977		3,195	83,172
Fines and forfeitures	208,953		1,632	210,585
Intergovernmental receipts	1,802,111	177,361	2,002,694	3,982,166
Charges for services			98,552	98,552
Interest income	5,169	2,134	6,802	14,105
Miscellaneous receipts	27,014		332	27,346
Total Receipts	<u>3,589,342</u>	<u>198,387</u>	<u>2,975,825</u>	<u>6,763,554</u>
DISBURSEMENTS				
General government	1,412,684		76,665	1,489,349
Public safety	750,325		106,376	856,701
Public works		249,717	2,521,812	2,771,529
Health and welfare	179,990		11,439	191,429
Culture and recreation			8,834	8,834
Education	808,173			808,173
Conservation of natural resources	65,583			65,583
Economic development and assistance	6,926			6,926
Debt service:				
Principal			75,095	75,095
Interest			57,055	57,055
Total Disbursements	<u>3,223,681</u>	<u>249,717</u>	<u>2,857,276</u>	<u>6,330,674</u>
Excess (Deficiency) of Receipts over Disbursements	<u>365,661</u>	<u>(51,330)</u>	<u>118,549</u>	<u>432,880</u>
OTHER CASH SOURCES (USES)				
Proceeds from debt issuance			54,000	54,000
Sale of county property			17,013	17,013
Interfund receipt in			14,521	14,521
Interfund disbursement out	(14,521)			(14,521)
Transfers in	8,532		149,266	157,798
Transfers out	(14,266)	(95,000)	(40,000)	(149,266)
Total Other Cash Sources and Uses	<u>(20,255)</u>	<u>(95,000)</u>	<u>194,800</u>	<u>79,545</u>
Excess (Deficiency) of Receipts and other Cash Sources over Disbursements and other Cash Uses	<u>345,406</u>	<u>(146,330)</u>	<u>313,349</u>	<u>512,425</u>
Cash Basis Fund Balances - Beginning of year	<u>1,587,872</u>	<u>2,113,377</u>	<u>5,787,384</u>	<u>9,488,633</u>
Cash Basis Fund Balances - End of year	<u>\$ 1,933,278</u>	<u>1,967,047</u>	<u>6,100,733</u>	<u>10,001,058</u>

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

FRANKLIN COUNTY
Statement of Net Assets - Cash Basis - Proprietary Fund
September 30, 2012

Exhibit 5

		Business-type Activities - <u>Enterprise Fund</u> Sanitation and Waste Removal Fund
ASSETS		
Cash	\$	<u>80,181</u>
Total Assets		<u><u>80,181</u></u>
NET ASSETS		
Restricted for:		
Public works		<u>80,181</u>
Total Net Assets	\$	<u><u>80,181</u></u>

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

FRANKLIN COUNTY
Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets -
Proprietary Fund
For the Year Ended September 30, 2012

Exhibit 6

	Business-type Activities - Enterprise Fund
	<u>Sanitation and Waste Removal Fund</u>
Operating Receipts	
Charges for services	\$ 430,802
Miscellaneous	2,560
Total Operating Receipts	<u>433,362</u>
Operating Disbursements	
Personal services	297,181
Contractual services	244,550
Materials and supplies	76,096
Total Operating Disbursements	<u>617,827</u>
Operating Income (Loss)	<u>(184,465)</u>
Nonoperating Receipts (Disbursements)	
Property tax	213,527
Interest income	284
Net Nonoperating Revenue (Disbursements)	<u>213,811</u>
Net Income (Loss) Before Transfers	29,346
Transfers out	<u>(8,532)</u>
Changes in Net Assets	<u>20,814</u>
Net Assets - Beginning	<u>59,367</u>
Net Assets - Ending	<u>\$ 80,181</u>

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

FRANKLIN COUNTY
Statement of Fiduciary Assets and Liabilities - Cash Basis
September 30, 2012

Exhibit 7

	<u>Agency Funds</u>
ASSETS	
Cash	\$ <u>538,967</u>
Total Assets	\$ <u><u>538,967</u></u>
LIABILITIES	
Amounts held in custody for others	\$ <u>538,967</u>
Total Liabilities	\$ <u><u>538,967</u></u>

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

FRANKLIN COUNTY

(This page left blank intentionally.)

FRANKLIN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

(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. The financial statements of the County are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board. However, accounting principles generally accepted in the United States of America require Franklin County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the County. Accordingly, the financial statements do not include the data of all of the County's component units necessary for reporting in conformity with accounting principles applicable to the County's cash basis of accounting.

- Franklin County Memorial Hospital
- Okhissa Lake Sewer District

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

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

B. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Assets – Cash Basis and a Statement of Activities – Cash Basis, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

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

The Statement of Net Assets – Cash Basis presents the financial condition of the governmental activities and business-type activities of the County at year-end. The Government-wide Statement of Activities – Cash Basis presents a comparison between direct disbursements and program receipts for each function or program of the County's governmental activities and business-type activities. Direct disbursements are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program receipts 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.

FRANKLIN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Taxes and other receipts not classified as program receipts are presented as general receipts of the County, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general receipts 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 fund equity, receipts and disbursements. 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 as Other Governmental Funds.

C. Measurement Focus and Basis of Accounting.

The Government-wide, Governmental Funds, Proprietary Funds and Fiduciary Funds financial statements are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred. This cash basis of accounting differs from GAAP primarily because revenues (cash receipts) are recognized when received in cash rather than when earned and susceptible to accrual, and expenditures or expenses (cash disbursements) are recognized when paid rather than when incurred or subject to accrual.

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Countywide Bridge and Culvert Fund - This fund is used to account for monies from specific 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 and report the proceeds of specific cash sources that are restricted or committed to disbursement for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to disbursement for principal and interest.

FRANKLIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

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 receipts collected, disbursements paid and/or net income is necessary for management accountability.

FIDUCIARY FUND TYPE

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

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

E. Deposits and Investments.

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

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

F. Equity Classifications.

Government-wide Financial Statements:

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

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."

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

FRANKLIN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if disbursements paid for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When a disbursement is paid for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County's general policy to use restricted resources first. When disbursements are paid for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

G. Property Tax Receipts.

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. All property taxes are recognized as receipts when collected.

(2) Change in Accounting Principle.

Prior to October 1, 2011 the County's financial statements were presented using the accrual basis of accounting. For the fiscal year ended September 30, 2012, the basic financial statements are prepared on a cash basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2012, was \$10,620,206, and the bank balance was \$10,701,337. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

FRANKLIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

(4) Interfund Transfers.

The following is a summary of interfund transfers at September 30, 2012:

Transfers In/Out:

Transfer In	Transfer Out	Amount
General Fund	Sanitation and Waste Removal	\$ 8,532
Other Governmental Funds	General Fund	14,266
Other Governmental Funds	Other Governmental Funds	40,000
Other Governmental Funds	Countywide Bridge and Culvert Fund	95,000
Total		\$ 157,798

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

(5) 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, 2012, to January 1, 2013. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(6) 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 disbursements of resources for allowable purposes. The County may be responsible for any disallowances.

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.

(7) 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 2012.

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 2012.

FRANKLIN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

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 2012.

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 2012.

(8) 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, 2012, 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, 2012 was 14.26% 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, 2012, 2011 and 2010 were \$212,988, \$198,234 and \$196,841, respectively, equal to the required contributions for each year.

FRANKLIN COUNTY

SUPPLEMENTAL INFORMATION

FRANKLIN COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

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 Treasurers Office Schools and roads grants to states*	10.665	N/A	\$ <u>1,616,315</u>
U.S. Department of Housing and Urban Development/ Passed - through the Mississippi Department Authority Community development block grant/state's program*	14.228	112508019PF01	<u>337,717</u>
HOME investment partnerships program	14.239	1222M 10SG280260	<u>90,851</u>
Total U.S. Department of Housing and Urban Development			<u>428,568</u>
U.S. Department of Justice/Office of Justice Programs/ Passed - through the Mississippi Department of Public Safety Edward Byrne memorial justice assistance grant program	16.738	092L1191	<u>21,419</u>
U.S. Department of Transportation - Federal Highway Administration Passed - through the Mississippi Department of Transportation Highway planning and construction	20.205	BR NBIS 076 B (19)	<u>22,800</u>
U.S. Department of Homeland Security Passed - through the Mississippi Emergency Management Agency Emergency management performance grants	97.042	N/A	6,364
Emergency management performance grants	97.042	N/A	<u>4,268</u>
Subtotal			<u>10,632</u>
Total Expenditures of Federal Awards			\$ <u><u>2,099,734</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 cash basis of accounting.

* Denotes major federal award program

FRANKLIN COUNTY

OTHER INFORMATION

FRANKLIN COUNTY

(This page left blank intentionally.)

FRANKLIN COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2012
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
	\$			
Property taxes	1,487,430	1,466,118	1,466,118	
Licenses, commissions and other receipts	82,100			
Fines and forfeitures	208,700	79,977	79,977	
Special assessments		208,154	208,953	799
Intergovernmental receipts	1,147,150	1,695,776	1,802,111	106,335
Interest income	400	5,169	5,169	
Miscellaneous receipts	4,700	21,995	27,014	5,019
Total Receipts	<u>2,930,480</u>	<u>3,477,189</u>	<u>3,589,342</u>	<u>112,153</u>
DISBURSEMENTS				
Current:				
General government	1,592,028	1,412,686	1,412,684	2
Public safety	733,490	750,074	750,325	(251)
Health and welfare	92,565	179,990	179,990	
Education		808,173	808,173	
Conservation of natural resources	65,850	65,832	65,583	249
Economic development and assistance	7,002	6,926	6,926	
Total Disbursements	<u>2,490,935</u>	<u>3,223,681</u>	<u>3,223,681</u>	<u>0</u>
Excess of Receipts over (under) Disbursements	<u>439,545</u>	<u>253,508</u>	<u>365,661</u>	<u>112,153</u>
OTHER CASH SOURCES (USES)				
Interfund disbursement out			(14,521)	(14,521)
Transfers out			(14,266)	(14,266)
Transfers in		84,004	8,532	(75,472)
Total Other Cash Sources and Uses	<u>0</u>	<u>84,004</u>	<u>(20,255)</u>	<u>(104,259)</u>
Net Change in Fund Balance	439,545	337,512	345,406	7,894
Fund Balances - Beginning	<u> </u>	<u>956,074</u>	<u>1,587,872</u>	<u>631,798</u>
Fund Balances - Ending	<u>\$ 439,545</u>	<u>1,293,586</u>	<u>1,933,278</u>	<u>639,692</u>

The accompanying notes to the Other 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, 2012
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 15,900	18,892	18,892	
Intergovernmental receipts	10,200	24,363	177,361	152,998
Interest income	100	2,134	2,134	
Miscellaneous receipts	2,500	152,998		(152,998)
Total Receipts	<u>28,700</u>	<u>198,387</u>	<u>198,387</u>	<u>0</u>
DISBURSEMENTS				
Current:				
Public works	183,480	249,717	249,717	
Total Disbursements	<u>183,480</u>	<u>249,717</u>	<u>249,717</u>	<u>0</u>
Excess of Receipts over (under) Disbursements	<u>(154,780)</u>	<u>(51,330)</u>	<u>(51,330)</u>	
OTHER CASH SOURCES (USES)				
Transfers out			(95,000)	(95,000)
Other financing sources		50,000	0	(50,000)
Total Other Cash Sources and Uses	<u>0</u>	<u>50,000</u>	<u>(95,000)</u>	<u>(145,000)</u>
Net Change in Fund Balance	(154,780)	(1,330)	(146,330)	(145,000)
Fund Balances - Beginning	<u> </u>	<u>2,113,377</u>	<u>2,113,377</u>	
Fund Balances - Ending	<u>\$ (154,780)</u>	<u>2,112,047</u>	<u>1,967,047</u>	<u>(145,000)</u>

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

FRANKLIN COUNTY
 Schedule of Investments
 For the Year Ended September 30, 2012
 UNAUDITED

Fund	Description	Beginning Date	Maturity Date	Interest Rate	October 1 Balance	Purchases	Redeemed Sales	September 30 Balance
OTHER GOVERNMENTAL FUNDS								
	Hancock Horizon Treasury Securities Money Market Mutual Fund		Less than one year		\$ 123,660.00			123,660.00
TOTAL GOVERNMENTAL FUNDS					\$ 123,660.00	0.00	0.00	123,660.00

FRANKLIN COUNTY
 Schedule of Interfund Loans and Advances
 For the Year Ended September 30, 2012
 UNAUDITED

The Following is a summary of interfund balances at September 30, 2012:

Loan from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Balance at September 30, 2012</u>
General Fund	Other Governmental Funds	\$ <u>14,521</u>
Total		\$ <u><u>14,521</u></u>

This loan was made to cover cash deficits for a cost reimbursement grant.

FRANKLIN COUNTY
Schedule of Capital Assets
For the Year Ended September 30, 2012
UNAUDITED

Governmental activities:

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments*	Balance Sept. 30, 2012
Land	\$ 259,432				259,432
Infrastructure	2,953,998				2,953,998
Buildings	1,947,363				1,947,363
Improvements other than buildings	332,052				332,052
Mobile equipment	4,084,183	63,886	274,256	36,025	3,909,838
Furniture and equipment	306,459	36,060			342,519
Leased property under capital leases	36,025			(36,025)	
Total capital assets	<u>\$ 9,919,512</u>	<u>99,946</u>	<u>274,256</u>	<u>0</u>	<u>9,745,202</u>

* The adjustment from leased property to mobile equipment was to account for capital leases paid off during the year.

Business-type activities:

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments	Balance Sept. 30, 2012
Land	\$ 1,516				1,516
Mobile equipment	360,119				360,119
Total capital assets	<u>\$ 361,635</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>361,635</u>

FRANKLIN COUNTY
Schedule of Changes in Long-term Debt
For the Year Ended September 30, 2012
UNAUDITED

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2012:

Description and Purpose	Issue Date	Maturity Date	Interest Rate	Balance Oct. 1, 2011	Issued	Principal Payments	Balance Sept. 30, 2012
Governmental Activities:							
A. Limited Obligation Bonds:							
Hospital Bond - Series 2003	10/01/2003	07/01/2023	2.00 - 5.50%	\$ 1,050,000		65,000	985,000
B. Capital Leases:							
Road equipment - New Holland model TL90A	04/01/2007	04/01/2012	4.45%	4,620		4,620	
Road equipment - Dura Star Dump Truck	09/25/2012	10/01/2015	2.29%		54,000		54,000
C. Other Loans:							
CAP Loan - Fire truck CAP loan#03-019-CP-01	12/04/2003	01/01/2014	3.00%	11,721		5,475	6,246
Total				\$ 1,066,341	54,000	75,095	1,045,246

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

FRANKIN COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2012
UNAUDITED

Name	Position	Company	Bond
Gary Cameron	Supervisor District 1	Western Surety	\$100,000
Chad Smith	Supervisor District 2	Brierfield	\$100,000
George Collins	Supervisor District 3	Brierfield	\$100,000
Jerry Howell	Supervisor District 4	Brierfield	\$100,000
M.L. Ezell	Supervisor District 5	Brierfield	\$100,000
Jill Gilbert	Chancery Clerk	Brierfield	\$100,000
Amanda Perry	Purchase Clerk	Brierfield	\$75,000
Jill Gilbert	Assisstant Purchase Clerk	Brierfield	\$50,000
Kristen Temple	Receiving Clerk	Brierfield	\$75,000
David Sanders	Assisstant Receiving Clerk	Brierfield	\$50,000
James Russell	Assisstant Receiving Clerk	FCCI	\$50,000
Robert Peebles	Assisstant Receiving Clerk	Brierfield	\$50,000
Brian Ellis	Assisstant Receiving Clerk	Travelers	\$50,000
John Scott	Assisstant Receiving Clerk	Brierfield	\$50,000
Lee Bethley	Assisstant Receiving Clerk	Brierfield	\$50,000
Barbara Brown	Inventory Control Clerk	Travelers	\$75,000
Charles Brown	Constable	Brierfield	\$50,000
Tommy Myers	Constable	FCCI	\$50,000
Mille Thornton	Circuit Clerk	Brierfield	\$100,000
Sandra Smith	Deputy Circuit Clerk	Brierfield	\$50,000
James Newman	Sheriff	Brierfield	\$100,000
Brain Monroe	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Brierfield	\$50,000
Gordon Dover	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	FCCI	\$50,000
Roger Causey	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers	\$50,000
James Blackwell	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Brierfield	\$50,000
Chris McNinn	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Brierfield	\$50,000
Ray Emfinger	Justice Court Judge	Brierfield	\$50,000
Jerry Crane	Justice Court Judge	Brierfield	\$50,000
Gladys Wilcher	Justice Court Clerk	Brierfield	\$50,000
Tonya Blackwell	Deputy Justice Court Clerk	Brierfield	\$50,000
Jeff Mullins	Tax Collector-Assessor	Brierfield	\$100,000
Rhonda Farris	Deputy Tax Collector - Assessor	Brierfield	\$50,000
Vicki Young	Deputy Tax Collector - Assessor	Travelers	\$50,000
Traci Carraway	Deputy Tax Collector - Assessor	Brierfield	\$50,000
Debra Wactor	Solid Waste Clerk	Brierfield	\$50,000
Percy Peeler	Coroner	Brierfield	\$2,000

FRANKLIN COUNTY

(This page left blank intentionally.)

FRANKLIN COUNTY

Notes to the Other Information
For the Year Ended September 30, 2012
UNAUDITED

1. Budgetary Comparison Information.

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 receipt, each general item of disbursement, 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 presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund.

C. Unbudgeted Funds.

The following fund was not budgeted for the year ended September 30, 2012:

Special Revenue Fund:

Okhissa Lake Sewer District

The unbudgeted fund is in violation of state law. However, the County has no obligation associated with the violation.

(2) Long-term Debt information:

A. 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 issue bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2012, the amount of outstanding debt was equal to .09% of the latest property assessments.

B. Subsequent Events.

Subsequent to September 30, 2012, the County issued the following debt obligation:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
12/13/2012	2.08%	\$ 54,000	Capital lease	Ad valorem taxes

FRANKLIN COUNTY

(This page left blank intentionally.)

FRANKLIN COUNTY

SPECIAL REPORTS

FRANKLIN COUNTY

(This page left blank intentionally.)



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, each major fund and the aggregate remaining fund information of Franklin County, Mississippi (the County) as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 31, 2013. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles applicable to the County's cash basis of accounting to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the County is responsible for establishing and maintaining effective 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 accompanying 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 12-1, 12-2, and 12-3 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 a certain matter that we reported to the management of Franklin County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated July 31, 2013, included within this document.

Franklin County's responses to the findings identified in our audit are described in the Accompanying Schedule of Findings and Questioned Costs. We did not audit Franklin County's responses and, accordingly, we express no opinion on them.

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.



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

July 31, 2013



**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 (the County) 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 programs for the year ended September 30, 2012. Franklin County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

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 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 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.

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. DOOSS, CPA
Director, Financial and Compliance Audit Division

July 31, 2013



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, 2012. 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 for the year ended September 30, 2012.

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.

A handwritten signature in black ink that reads "Will-R. Doss". The signature is written in a cursive, slightly slanted style.

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

July 31, 2013

FRANKLIN COUNTY

Schedule 1Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2012

<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>
7/2/2012	Dump truck	\$ 63,886	Waters International	\$ 62,585	Had a warren body and a 5 year warranty and Tri State had an ox body with a 2 year warranty.
9/17/2012	Dump truck	\$ 63,886	Waters International	\$ 62,585	Had a warren body and a 5 year warranty and Tri State had an ox body with a 2 year warranty.

FRANKLIN COUNTY

Schedule 2

Schedule of Emergency Purchases

For the Year Ended September 30, 2012

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
8/27/2012	Gasoline diesel	\$ 3.1955 3.5912	Kaiser petroleum	Buffalo services could not deliver fuel during hurricane isaac

FRANKLIN COUNTY
Schedule of Purchases Made Noncompetitively Form A Sole Source
For the Year Ended September 30, 2012

Schedule 3

<u>Date</u>	<u>Item Purchased</u>		<u>Amount Paid</u>	<u>Vendor</u>
9/17/2012	Repairs to road under culvert with expanding foam, sealed joints reinforced concrete pipe plus voids on top and both ends of pipe	\$	6,600	Bulldog Construction

FRANKLIN COUNTY

(This page left blank intentionally.)



**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 (the County) for the year ended September 30, 2012, 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 July 31, 2013, 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 a certain immaterial instance of noncompliance with state laws and regulations that is an opportunity for strengthening internal controls and operating efficiency. Our finding, recommendation, and your response are disclosed below:

Board of Supervisors.

A budget was not prepared for the Okhissa Lake Sewer District Fund.

Finding

Section 19-11-7, Miss. Code Ann. (1972), requires the County to prepare and submit to the Board of Supervisors at its August meeting of each year a complete budget of revenues, expenses, and a working cash balance estimated for the next fiscal year for each fund. The original budget for the fiscal year 2011-2012 did not include a budget of revenues, expenses and a working cash balance for the Okhissa Lake Sewer District Fund. The failure to prepare a budget of revenues, expenses and a working cash balance for each fund could result in the misappropriation of public funds.

Recommendation

We recommend that the County prepare and submit to the Board of Supervisors each year a complete budget of revenues, expenses, and a working cash balance for all funds, as required by law.

Board of Supervisors' Response

Okhissa Lake Sewer District grant funds will be budgeted in the future.

Franklin County's response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

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.

A handwritten signature in black ink that reads "Will. R. Dooss". The signature is written in a cursive, slightly slanted style.

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

July 31, 2013

FRANKLIN COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FRANKLIN COUNTY

(This page left blank intentionally.)

FRANKLIN COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2012

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 |
| | Aggregate discretely presented component units | Adverse |
| | 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? | None Reported |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified? | 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. Schools and roads grants to states, CFDA#10.665 | |
| | b. Community development block grant/state's program, CFDA # 14.228 | |
| 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 |

FRANKLIN COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2012

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

12-1. The duties of the Solid Waste Office should be segregated.

Finding

To ensure a proper accounting of funds, the duties of receiving, receipting, recording, performing reconciliations and authorizing disbursements should be segregated. As reported in the prior two years' audit reports, based on inquiries 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 operations and a periodic review of operations.

Board of Supervisors' Response

Internal controls in the Solid Waste Department are currently being reviewed. The Chancery Clerk reviews bank statements and reconciliations monthly.

Material Weakness

12-2. Internal controls should be strengthened over non-routine changes and deletions of solid waste accounts.

Finding

An effective system of internal control for the collection of solid waste account payments should include obtaining written approval from the Board of Supervisors before making any non-routine changes or deletions to solid waste user accounts.

Based on test work performed, the following were noted:

- a. Non-routine changes and deletions were made to some solid waste accounts without written approval from the Board of Supervisors.
- b. Notes and comments in some solid waste accounts did not include dates and detailed information of the changes or deletions.

These conditions could result in account transactions being deleted without proper approval, not being recorded, errors not being detected, and loss of public funds.

Recommendation

The Board of Supervisors should approve all non-routine changes or deletions made to any solid waste accounts and should provide dates and detailed information of changes or deletions noted in the notes/comments section of the solid waste user account.

FRANKLIN COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2012

Board of Supervisors' Response

All non-routine changes/deletions will be approved by the Board of Supervisors in a regular meeting. Clerks at Solid Waste Office will provide dates and detailed information and said info will be noted in a file pertaining to each change/deletion, etc. in written form.

Sheriff.

Material Weakness

12-3. The Sheriff's Office should make daily deposits.

Finding

An effective system of internal controls over cash required that daily bank deposits be made. As reported in the last four years' audit reports, the Sheriff failed to make daily deposits throughout the fiscal year. This failure to make daily deposits could result in the loss or misappropriation of public funds.

Recommendation

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

Sheriff's Response

On May 22, 2013, the auditor discussed the importance of daily deposits. I concur with the finding that deposits were not made on a timely basis.

I did discuss with the auditor and the chancery clerk, that I do not employ a full time secretary. We do have an employee that has the duties as secretary, dispatcher and jailer. The work schedule was shown to the auditor to verify these duties.

I did research with the payroll department the expenses for fiscal year 2012. According to her figures, Franklin County paid \$139,049, for salaries of part time, full time jailer/dispatchers and secretary. Upon projecting the cost of implementing a full time secretary, the cost of operations would increase to \$193,000 for a fiscal year.

The auditor and I discussed ways to make notations about the secretary's work days on the financial books and continue to operate the Sheriff Department in the most economical manner and I will comply with the audit finding.

Auditor's Note

Not making daily deposits of cash on hand is the finding and recommendation of the auditor to avoid possible loss or misappropriation of public funds in the Sheriff's office.

Section 3: Federal Award Findings and Questioned Costs

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