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FRANKLIN COUNTY, MISSISSIPPI

Audited Primary Government Financial Statements and Special Reports  
For the Year Ended September 30, 2006

# FRANKLIN COUNTY

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FRANKLIN COUNTY

FINANCIAL SECTION

# Windham and Lacey, PLLC

*Certified Public Accountants*

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American Institute of CPAs  
Mississippi Society of CPAs

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

Members of the Board of Supervisors  
Franklin County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Franklin County, Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the primary government of Franklin County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Franklin County, Mississippi, as of September 30, 2006, and the respective changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information for the primary government of Franklin County, Mississippi, as of September 30, 2006, and the respective changes in financial position thereof and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2007, on our consideration of Franklin County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

The Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script, appearing to read "Windham & Lacey, PLLC".

Windham & Lacey, PLLC  
July 31, 2007

FRANKLIN COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS



FRANKLIN COUNTY  
Statement of Net Assets  
September 30, 2006

Exhibit I

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 8,520,371	161,232	8,681,603
Property tax receivable	1,474,875		1,474,875
Accounts receivable, net of allowance for uncollectible of \$55,584		132,335	132,335
Fines receivable, net of allowance for uncollectible of \$164,197	66,640		66,640
Intergovernmental receivables	41,596		41,596
Other receivables	4		4
Internal balances	24,762	(24,762)	
Capital assets, net	4,117,359	48,845	4,166,204
Total Assets	14,245,607	317,650	14,563,257
<b>LIABILITIES</b>			
Claims payable	186,060	10,455	196,515
Intergovernmental payables	56,984		56,984
Deferred revenue	1,474,875		1,474,875
Other payables	9,395		9,395
Unearned revenue		25,041	25,041
Long-term liabilities			
Due within one year:			
Capital related debt	94,145	7,160	101,305
Non-capital debt	55,000		55,000
Due in more than one year:			
Capital related debt	146,025		146,025
Non-capital debt	1,339,005	8,812	1,347,817
Total Liabilities	3,361,489	51,468	3,412,957
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	3,877,186	41,685	3,918,871
Restricted net assets:			
General government	186,651		186,651
Debt service	391,967		391,967
Public safety	652,353		652,353
Public works	4,163,306	224,497	4,387,803
Health and welfare	167,937		167,937
Culture and recreation	192,528		192,528
Unemployment	30,472		30,472
Unrestricted	1,221,718		1,221,718
Total Net Assets	\$ 10,884,118	266,182	11,150,300

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

FRANKLIN COUNTY  
Statement of Activities  
For the Year Ended September 30, 2006

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Fines, Fees and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Business-type Activities
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 1,380,362	223,277		90,422	(1,066,663)	(1,066,663)
Public safety	768,617	108,099	37,413	79,541	(543,564)	(543,564)
Public works	3,431,678		1,203,290	1,402,882	(825,506)	(825,506)
Health and welfare	158,287		6,355		(151,932)	(151,932)
Culture and recreation	7,722				(7,722)	(7,722)
Conservation of natural resources	59,458		3,000	19,356	(37,102)	(37,102)
Economic development and assistance	68,232				(68,232)	(68,232)
Interest on long-term debt	82,179				(82,179)	(82,179)
Total Governmental Activities	5,956,535	331,376	1,250,058	1,592,201	(2,782,900)	(2,782,900)
<b>Business-type activities:</b>						
Solid waste	599,087	323,586	16,608		(258,893)	(258,893)
Total Primary Government	\$ 6,555,622	654,962	1,266,666	1,592,201	(2,782,900)	(3,041,793)
General revenues:						
Taxes:						
Property taxes					212,721	2,402,065
Road & bridge privilege taxes					107,641	107,641
Grants and contributions not restricted to specific programs					469,387	469,387
Unrestricted investment income					233,508	240,502
Miscellaneous					70,121	70,121
Loss from sale of assets				668		668
Total General Revenues and transfers				3,070,669	219,715	3,290,384
Changes in Net Assets				287,769	(39,178)	248,591
Net Assets - Beginning					305,360	10,901,709
Net Assets - Ending					266,182	11,150,300

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

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Funds	Countywide Bridge Fund	State Aid Road Fund	U. S. Forest Service Trust Fund			
<b>ASSETS</b>							
Cash and investments	\$ 1,273,978	1,631,460	29,421	1,340,652		4,244,861	8,520,372
Property tax receivable	932,625	111,375				430,875	1,474,875
Fines receivable, net of allowance for uncollectible of \$164,197	66,640						66,640
Intergovernmental receivables	41,596						41,596
Other receivables	4						4
Due from other funds	28,279	2,642				19,421	50,342
Total Assets	\$ 2,343,122	1,745,477	29,421	1,340,652		4,695,157	10,153,829
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Claims payable	\$ 43,468	369	29,421			112,802	186,060
Intergovernmental payables	57,609						57,609
Due to other funds	29,147					29,147	29,147
Deferred revenue	999,265	111,375				430,875	1,541,515
Other payables	5,204						5,204
Total Liabilities	1,134,693	111,744	29,421	0		543,677	1,819,535
<b>Fund balances:</b>							
Reserved for:							
Debt service						391,967	391,967
Unemployment compensation						30,472	30,472
Unreserved, reported in:							
General Fund	1,208,429						1,208,429
Special Revenue Funds		1,633,733		1,340,652		3,729,041	6,703,426
Total Fund Balances	1,208,429	1,633,733	0	1,340,652		4,151,480	8,334,294
Total Liabilities and Fund Balances	\$ 2,343,122	1,745,477	29,421	1,340,652		4,695,157	10,153,829

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

## FRANKLIN COUNTY

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
September 30, 2006Exhibit 3-1

	<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$ 8,334,294
Amounts reported for governmental services in the Statement of Net Assets (Exhibit 1) are different because:	
Capital assets are used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation \$5,465,331.	4,117,359
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Fines Receivable	66,640
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	
Long-term liabilities	(1,575,170)
Compensated absences	<u>(59,005)</u>
Total net assets - governmental activities (Exhibit 1)	\$ <u>10,884,118</u>

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

FRANKLIN COUNTY

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2006

Exhibit 4

	Major Funds					
	General Fund	Countywide Bridge Fund	State Aid Road Fund	U. S. Forest Service Trust Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 1,351,855	159,741			677,748	2,189,344
Road and bridge privilege taxes					107,596	107,596
Licenses, commissions and other revenue	69,319					69,319
Fines and forfeitures	160,874				11,835	172,709
Intergovernmental revenues	480,060	17,152	1,402,882	250,000	1,071,129	3,221,223
Charges for services	520				90,824	91,344
Interest income	52,450	30,713			122,749	205,912
Miscellaneous revenues	29,341	3,522		27,595	36,664	97,122
Total Revenues	2,144,419	211,128	1,402,882	277,595	2,118,545	6,154,569
EXPENDITURES						
Current:						
General government	1,188,850				60,491	1,249,341
Public safety	704,668				32,557	737,225
Public works		26,135	1,402,882		1,818,624	3,247,641
Health and welfare	82,675				75,612	158,287
Culture and recreation					7,722	7,722
Conservation of natural resources	59,458				59,458	59,458
Economic development and assistance	68,973					68,973
Debt service:						
Principal					248,532	248,532
Interest					83,929	83,929
Total Expenditures	2,104,624	26,135	1,402,882	0	2,327,467	5,861,108
Excess of Revenues over (under) Expenditures	39,795	184,993	0	277,595	(208,922)	293,461

## FRANKLIN COUNTY

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30,  
2006

(Exhibit 4 Continued)

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	Countywide Bridge Fund	State Aid Road Fund	U. S. Forest Service Trust Fund			
OTHER FINANCING SOURCES (USES)							
Proceeds from sale of capital assets	398					4,770	5,168
Compensation for loss of capital assets	5,975					642	6,617
Transfers in						9,680	9,680
Transfers out						(9,680)	(9,680)
Total Other Financing Sources and Uses	6,373	0	0	0		5,412	11,785
Net Changes in Fund Balances	46,168	184,993	0	277,595		(203,510)	305,246
Fund Balances - Beginning	1,162,261	1,448,740	0	1,063,057		4,354,990	8,029,048
Fund Balances - Ending	\$ 1,208,429	1,633,733	0	1,340,652		4,151,480	8,334,294

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, 2006

	<u>Amount</u>
Net changes in fund balances - total governmental funds (Exhibit 4)	\$ 305,246
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 depreciation of \$327,194 exceeded capital outlays of \$69,617 in the current period.	(257,577)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the governmental funds, proceeds from the sale of capital assets increase financial resources and loss from the sale of capital assets decrease financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the gain of \$668 and the proceeds from the sale in the current period of \$4,671.	(4,003)
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.	(8,474)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments \$248,532 exceeded debt proceeds \$-0-.	248,532
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 item:	
Change in compensated absences	<u>4,045</u>
Change in net assets of governmental activities (Exhibit 2)	\$ <u><u>287,769</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, 2006

Exhibit 5

	Business-type Activities - Enterprise Fund Sanitation and Waste Removal Fund
ASSETS	
Current assets:	
Cash	\$ 161,232
Accounts receivable (net of allowance for uncollectibles of \$55,584)	132,335
Due from other funds	3,517
Total Current Assets	<u>297,084</u>
Noncurrent assets:	
Capital assets, net	48,845
Total Noncurrent Assets	<u>48,845</u>
Total Assets	<u>345,929</u>
LIABILITIES	
Current liabilities:	
Claims payable	10,455
Due to other funds	28,279
Unearned revenue	25,041
Capital debt:	
Capital leases payable	7,160
Total Current Liabilities	<u>70,935</u>
Noncurrent liabilities:	
Non-capital debt:	
Compensated absences payable	8,812
Total Noncurrent Liabilities	<u>8,812</u>
NET ASSETS	
Invested in capital assets, net of related debt	41,685
Restricted:	
Public works	224,497
Total Net Assets	\$ <u><u>266,182</u></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, 2006

Exhibit 6

	Business-type Activities - Enterprise Fund
	Sanitation and Waste Removal Fund
Operating Revenues	
Charges for services	\$ 323,586
Miscellaneous	16,608
Total Operating Revenues	<u>340,194</u>
Operating Expenses	
Personal services	281,057
Contractual services	223,446
Materials and supplies	81,498
Depreciation expense	3,562
Indirect administrative cost	9,052
Total Operating Expenses	<u>598,615</u>
Operating Income (Loss)	<u>(258,421)</u>
Nonoperating Revenues (Expenses)	
Property tax	212,721
Interest income	6,994
Interest expense	(472)
Net Nonoperating Revenue (Expenses)	<u>219,243</u>
Changes in Net Assets	(39,178)
Net Assets - Beginning	<u>305,360</u>
Net Assets - Ending	\$ <u><u>266,182</u></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, 2006

Exhibit 7

	Business-type Activities - Enterprise Fund Sanitation and Waste Removal Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 323,100
Payments to suppliers	(312,468)
Payments to employees	(282,005)
Other operating cash receipts	20,256
Net Cash Provided (Used) by Operating Activities	(251,117)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Cash received from property taxes	212,721
Net Cash Provided (Used) by Noncapital Financing Activities	212,721
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal paid on long-term debt	(8,280)
Interest paid on debt	(472)
Net Cash Provided (Used) by Capital and Related Financing Activities	(8,752)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	6,994
Net Cash Provided (Used) by Investing Activities	6,994
Net Increase (Decrease) in Cash and Cash Equivalents	(40,154)
Cash and Cash Equivalents - Beginning of Year	201,386
Cash and Cash Equivalents - End of Year	\$ 161,232
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (258,421)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:	
Depreciation expense	3,562
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(486)
(Increase) decrease in other receivables	3,648
Increase (decrease) in claims payable	(9,073)
Increase (decrease) in interfund payables	9,052
Increase (decrease) in other payables	601
Total adjustments	7,304
Net Cash Provided (Used) by Operating Activities	\$ (251,117)

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

FRANKLIN COUNTY  
Statement of Fiduciary Assets & Liabilities  
September 30, 2006

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 332,955
Due from other funds	<u>3,567</u>
Total Assets	<u>\$ 336,522</u>
LIABILITIES	
Claims payable and other accrued liabilities	\$ 68,422
Intergovernmental payables	<u>268,100</u>
Total Liabilities	<u>\$ 336,522</u>

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

## FRANKLIN COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2006

#### (1) Summary of Significant Accounting Policies.

##### A. Financial Reporting Entity.

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

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

- Franklin County Memorial Hospital

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

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

##### B. Basis of Presentation.

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

##### Government-wide Financial Statements:

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

## FRANKLIN COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2006

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

#### Fund Financial Statements:

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

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

The Government-wide, Proprietary Funds and Fiduciary Funds (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 revenue is recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. 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, 2006

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

The county reports the following major governmental funds:

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

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

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

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

The county reports the following major Proprietary Fund:

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

Additionally, the county reports the following fund types:

#### GOVERNMENTAL FUND TYPES

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

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

#### PROPRIETARY FUND TYPE

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

## FRANKLIN COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2006

#### FIDUCIARY FUND TYPES

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

D. Account Classifications.

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

E. Deposits and Investments.

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

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

F. Receivables.

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

G. Interfund Transactions and Balances.

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

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in governmental fund statements and the related assets are reported as capital assets in the governmental and business-type activities columns in the government-wide financial statement. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. The extent to which capital assets 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.

# FRANKLIN COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2006

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

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

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements. 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:

	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 useful life will correspond with the amounts for the asset classification, as listed above.

### I. Long-term Liabilities.

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

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



## FRANKLIN COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2006

#### J. Equity Classifications.

##### Government-wide Financial Statements:

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

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

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

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

##### Fund Financial Statements:

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

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

#### K. Property Tax Revenues.

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

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

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

## FRANKLIN COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2006

#### L. Intergovernmental Revenues in Governmental Funds.

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

#### M. Compensated Absences.

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

#### (2) Changes in Accounting Standards.

For the fiscal year ended September 30, 2006, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. GASB Statement No. 42 requires governments to report the effects of capital asset impairment in their financial statements when impairment occurs. The provisions of this new statement have been incorporated into the financial statements and accompanying notes.

#### (3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2006, was \$8,883,162, and the bank balance was \$9,160,249. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

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

#### (4) Investments.

The county's investments at year-end consisted entirely of investments in Hancock Horizon Treasury Securities money market mutual funds through the Hancock Bank trust department for the Franklin County Memorial Hospital, Series 2003 Bonds. At year-end, the carrying amount of the county's investments was \$131,396 and the cost was \$131,396. All of the county's investments are uninsured and unregistered. The money market mutual fund investments are not backed by the full faith and credit of the federal government.

# FRANKLIN COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2006

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

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

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

### (5) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2006:

#### A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Sanitation and Waste Removal	\$ 28,279
Sanitation and Waste Removal	General Fund	3,517
Countywide Bridge	General Fund	2,642
Other Governmental Funds	General Fund	19,421
Agency Funds	General Fund	3,567
Total		\$ <u>57,426</u>

The Sanitation and Waste Removal Fund payable is the indirect administrative costs incurred over the last three years. All other amounts listed are the tax and fine revenues collected but not settled until October, 2006. All interfund balances are expected to be repaid within one year from the date of the financial statements.

#### B. Transfers In/Out:

Transfer In	Transfer Out	Amount
Other Governmental Funds	Other Governmental Funds	\$ <u>9,680</u>
Total		\$ <u>9,680</u>

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

## FRANKLIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2006

## (6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2006, consisted of the following:

Governmental Activities:

Description	Amount
Legislative tag credit	\$ 41,596
Total Governmental Activities	\$ 41,596

## (7) Capital Assets.

Governmental activities:

	Beginning Balance	Increases	Decreases	Adjustments *	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 259,432				259,432
Total capital assets, not being depreciated	259,432	0	0	0	259,432
Capital assets, being depreciated:					
Buildings	1,947,363				1,947,363
Improvements other than buildings	332,052				332,052
Mobile equipment	3,572,152	19,848	(40,026)	268,298	3,820,272
Furniture and equipment	185,913	49,769			235,682
Property under capital leases	306,687			(268,298)	38,389
Infrastructure	2,949,500				2,949,500
Total capital assets being depreciated	9,293,667	69,617	(40,026)	0	9,323,258
Less: Accumulated depreciation for:					
Buildings	1,816,652	42,325			1,858,977
Improvements other than buildings	132,821	13,283			146,104
Mobile equipment	2,721,081	177,129	(36,023)	176,347	3,038,534
Furniture and equipment	160,919	14,734			175,653
Property under capital leases	190,154	3,455		(176,347)	17,262
Infrastructure	152,533	76,268			228,801
Total accumulated depreciation	5,174,160	327,194	(36,023)	0	5,465,331
Total capital assets, being depreciated, net	4,119,507	(257,577)	(4,003)	0	3,857,927
Governmental activities capital assets, net	\$ 4,378,939	(257,577)	(4,003)	0	4,117,359

# FRANKLIN COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2006

### Business-type activities

	Beginning Balance	Increases	Decreases	Adjustments *	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 1,516				1,516
Total capital assets, not being depreciated	1,516	0	0	0	1,516
Capital assets, being depreciated:					
Mobile equipment	255,742				255,742
Property under capital leases	39,563				39,563
Total capital assets being depreciated	295,305	0	0	0	295,305
Less: Accumulated depreciation for:					
Mobile equipment	230,169				230,169
Property under capital leases	14,245	3,562			17,807
Total accumulated depreciation	244,414	3,562	0	0	247,976
Total capital assets, being depreciated, net	50,891	(3,562)	0	0	47,329
Business-type activities capital assets, net	\$ 52,407	(3,562)	0	0	48,845

\* Adjustment to mobile equipment is for equipment purchased through a capital lease for which the obligation was retired in the current year.

### Depreciation expense was charged to the following functions:

Governmental activities:	
General government	\$ 57,696
Public safety	82,974
Public works	184,976
Economic development	1,548
Total depreciation expense - governmental activities	\$ 327,194

# FRANKLIN COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2006

### (8) Claims and Judgments.

#### Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$750,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2005, to January 1, 2006. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

### (9) Capital Leases.

#### As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2006:

Asset	Governmental Activities	Business-type Activities
Machinery and equipment	\$ 38,389	39,563
Less: Accumulated depreciation	(17,262)	(17,810)
Total	\$ 21,127	21,753

The following is a schedule by years of the total payments due as of September 30, 2006:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 8,007	183	7,160	133
Total	\$ 8,007	183	7,160	133

## FRANKLIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2006

## (10) Long-term Debt.

Debt outstanding as of September 30, 2006, 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>1,335,000</u>	2.00/5.50%	07/23
B. Equipment Notes:			
Various road equipment	55,487	3.50%	02/08
District 4 tractor/boom mower	34,278	3.13%	08/09
2005 Chevy dump truck	30,535	3.41%	03/10
Lee Boy asphalt spreader	<u>35,979</u>	3.13%	08/09
Total Equipment Notes	<u>156,278</u>		
C. Capital Leases:			
District 4 dump truck	<u>8,007</u>	3.31%	07/07
Total Capital Leases	\$ <u>8,007</u>		
D. Other Loans:			
Fire truck CAP loan #08-019-CP-01	\$ 12,753	4.65%	01/09
Fire truck CAP loan #01-019-CP-01	25,657	3.00%	09/11
Fire truck CAP loan #03-019-CP-01	<u>37,475</u>	3.00%	01/14
Total Capital Leases	\$ <u>75,885</u>		
Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Business-type Activities:			
Capital Lease:			
Solid waste collection truck	<u>7,160</u>	4.04%	09/07

# FRANKLIN COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2006

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>
2007	\$ 55,000	67,354
2008	55,000	65,759
2009	55,000	63,944
2010	60,000	61,854
2011	60,000	59,364
2012-2016	355,000	250,357
2017-2021	470,000	142,175
2022-2023	225,000	18,698
Total	\$ <u>1,335,000</u>	<u>729,505</u>

<u>Year Ending September 30,</u>	<u>Equipment Notes</u>		<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 70,627	3,153	15,512	2,336
2008	49,380	1,326	16,082	1,766
2009	31,740	505	11,376	1,232
2010	4,531	55	10,682	896
2011			9,813	571
2012-2014			12,420	478
Total	\$ <u>156,278</u>	<u>5,039</u>	<u>75,885</u>	<u>7,279</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2006, the amount of outstanding debt was equal to 2.2% of the latest property assessments.



# FRANKLIN COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2006

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2006:

	Balance 10/1/2005	Additions	Reductions	Balance 9/30/2006	Amount due within one year
<b>Governmental Activities:</b>					
Compensated absences	\$ 63,050		4,045	59,005	
Limited obligation bonds	1,385,000		50,000	1,335,000	55,000
Equipment notes	224,570		68,292	156,278	70,626
Capital leases	123,284		115,277	8,007	8,007
Other loans	90,848		14,963	75,885	15,512
<b>Total</b>	<b>\$ 1,886,752</b>	<b>0</b>	<b>252,577</b>	<b>1,634,175</b>	<b>149,145</b>
<b>Business-type Activities:</b>					
Compensated absences	\$ 9,760		948	8,812	
Capital leases	15,440		8,280	7,160	7,160
<b>Total</b>	<b>\$ 25,200</b>	<b>0</b>	<b>9,228</b>	<b>15,972</b>	<b>7,160</b>

### (11) Contingencies.

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

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

In August, 2006 a suit was filed against the Franklin County Memorial Hospital for damages allegedly sustained by Horizon Mental Health Management, Inc.(Horizon) as a result of violation of the terms and conditions of a contract relating to health care at the hospital. In June, 2007, the Franklin County Board of Supervisors (Board), as owner of the hospital, was brought into the suit. In August, 2007, Horizon agreed to a settlement in the amount of \$242,942 that is to be paid by the Board. However, that settlement has not yet been concluded.

### (12) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Copiah-Lincoln Community College operates in a district composed of the Counties of Adams, Copiah, Franklin, Jefferson, Lawrence, Lincoln and Simpson. The Franklin County Board of Supervisors appoints two of the 27 members of the college board of trustees. The county appropriated \$171,700 for maintenance and support of the college in fiscal year 2006.

## FRANKLIN COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2006

Southwest Mississippi Planning and Development District operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lincoln, Lawrence, Pike, Walthall and Wilkinson. The Franklin County Board of Supervisors appoints four of the 40 members of the board of directors. The county appropriated \$18,104 for support of the district in fiscal year 2006.

Southwest Mississippi Mental Health Complex operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Franklin County Board of Supervisors appoints one of the ten members of the board of commissioners. The county appropriated \$18,000 for its support in fiscal year 2006.

Southwest Mississippi Partnership operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The entity is governed by ten members, appointed by each county's lead industrial foundation or chamber of commerce. If no industrial foundation or chamber of commerce is present, the member is appointed by the county's Board of Supervisors. The county appropriated \$1,690 for its support in fiscal year 2006.

(13) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2006 was 11.30% 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, 2006, 2005 and 2004 were \$176,998, \$161,471 and \$141,076, respectively, equal to the required contributions for each year.

FRANKLIN COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

FRANKLIN COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 1,230,900	1,373,991	1,373,991	
Licenses, commissions and other revenue	47,500	72,528	72,528	
Fines and forfeitures	130,550	165,871	165,871	
Intergovernmental revenues	351,870	424,359	424,359	
Charges for services	9,000	520	520	
Interest income	26,500	52,382	52,382	
Miscellaneous revenues	4,000	24,791	24,791	
Total Revenues	<u>1,800,320</u>	<u>2,114,442</u>	<u>2,114,442</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,225,972	1,201,987	1,201,987	
Public safety	686,794	710,518	710,518	
Health and welfare	82,796	82,785	82,785	
Culture and recreation	75,000			
Conservation of natural resources	61,777	60,738	60,738	
Economic development and assistance	59,652	69,143	69,143	
Total Expenditures	<u>2,191,991</u>	<u>2,125,171</u>	<u>2,125,171</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(391,671)</u>	<u>(10,729)</u>	<u>(10,729)</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets		398	398	
Compensation for loss of capital assets		5,975	5,975	
Total Other Financing Sources and Uses	<u>0</u>	<u>6,373</u>	<u>6,373</u>	<u>0</u>
Net Change in Fund Balance	(391,671)	(4,356)	(4,356)	0
Fund Balances - Beginning	<u>948,000</u>	<u>1,162,261</u>	<u>1,162,261</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 556,329</u>	<u>1,157,905</u>	<u>1,157,905</u>	<u>0</u>

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

FRANKLIN COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Countywide Bridge  
 For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 140,500	162,921	162,921	
Intergovernmental revenues	9,000	17,152	17,152	
Interest income	20,000	30,713	30,713	
Miscellaneous revenues	2,000	3,522	3,522	
Total Revenues	<u>171,500</u>	<u>214,308</u>	<u>214,308</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Public works	84,375	25,829	25,829	
Total Expenditures	<u>84,375</u>	<u>25,829</u>	<u>25,829</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>87,125</u>	<u>188,479</u>	<u>188,479</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in				
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	87,125	188,479	188,479	0
Fund Balances - Beginning	<u>1,375,000</u>	<u>1,448,741</u>	<u>1,448,741</u>	<u>0</u>
Fund Balances - Ending	\$ <u><u>1,462,125</u></u>	<u><u>1,637,220</u></u>	<u><u>1,637,220</u></u>	<u><u>0</u></u>

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

FRANKLIN COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 State Aid Road  
 For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenues	\$ 75,000	127,743	127,743	
Interest income	0			
Total Revenues	<u>75,000</u>	<u>127,743</u>	<u>127,743</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Public works	<u>75,000</u>	<u>98,322</u>	<u>98,322</u>	
Total Expenditures	<u>75,000</u>	<u>98,322</u>	<u>98,322</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>29,421</u>	<u>29,421</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in				
Transfers out				
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	<u>0</u>	<u>29,421</u>	<u>29,421</u>	<u>0</u>
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>29,421</u>	<u>29,421</u>	<u>0</u>

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

FRANKLIN COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 U. S. Forest Service Trust Fund  
 For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenues	\$ 250,000	250,000	250,000	
Interest income	20,000	27,595	27,595	
Total Revenues	<u>270,000</u>	<u>277,595</u>	<u>277,595</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	0	0	0	0
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>270,000</u>	<u>277,595</u>	<u>277,595</u>	<u>0</u>
Net Change in Fund Balance	270,000	277,595	277,595	0
Fund Balances - Beginning	<u>1,000,050</u>	<u>1,063,057</u>	<u>1,063,057</u>	<u>0</u>
Fund Balances - Ending	\$ <u>1,270,050</u>	<u>1,340,652</u>	<u>1,340,652</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, 2006

### A. Budgetary Information.

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

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

### B. Basis of Presentation.

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

### C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types			
	General Fund	Countywide Bridge	State Aid Road	U. S. Forest Service Trust Fund
Net Change in Fund Balance - Budget (Cash Basis)	\$ (4,356)	188,479	29,421	277,595
Increase (decrease):				
Net adjustments for revenue accruals	29,977	(3,180)	1,275,139	
Net adjustments for expenditure accruals	20,547	(306)	(1,304,560)	
Net Change in Fund Balance GAAP Basis	\$ <u>46,168</u>	<u>184,993</u>	<u>0</u>	<u>277,595</u>



FRANKLIN COUNTY

SPECIAL REPORTS

# Windham and Lacey, PLLC

## *Certified Public Accountants*

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

Members:  
American Institute of CPAs  
Mississippi Society of CPAs

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

Members of the Board of Supervisors  
Franklin County, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Franklin County, Mississippi, as of and for the year ended September 30, 2006, which collectively comprise Franklin County, Mississippi's basic financial statements and have issued our report thereon dated July 31, 2007. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.


### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Franklin County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

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

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than this specified party. However, this report is a matter of public record and its distribution is not limited.



Windham & Lacey, PLLC  
July 31, 2007

# Windham and Lacey, PLLC

## *Certified Public Accountants*

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

Members of the Board of Supervisors  
Franklin County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Franklin County, Mississippi, as of and for the year ended September 30, 2006. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

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

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

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

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

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



Windham & Lacey, PLLC  
July 31, 2007

FRANKLIN COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2006

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

FRANKLIN COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2006

Schedule 2

Our test results did not identify any emergency purchases.

FRANKLIN COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2006

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

# Windham and Lacey, PLLC

## *Certified Public Accountants*

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### LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

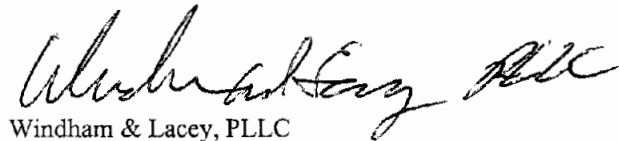
Members of the Board of Supervisors  
Franklin County Mississippi

In planning and performing our audit of the financial statements of Franklin County, Mississippi for the year ended September 30, 2006, we considered Franklin County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Franklin County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated July 31, 2007, on the financial statements of Franklin County, Mississippi.

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

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than this specified party. However, this report is a matter of public record and its distribution is not limited.



Windham & Lacey, PLLC  
July 31, 2007

FRANKLIN COUNTY

SCHEDULE OF FINDINGS



FRANKLIN COUNTY

Schedule of Findings  
For the Year Ended September 30, 2006

Section 1: Summary of Auditor's Results

*Financial Statements:*

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

Section 2: Financial Statement Findings

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