

FRANKLIN COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2015

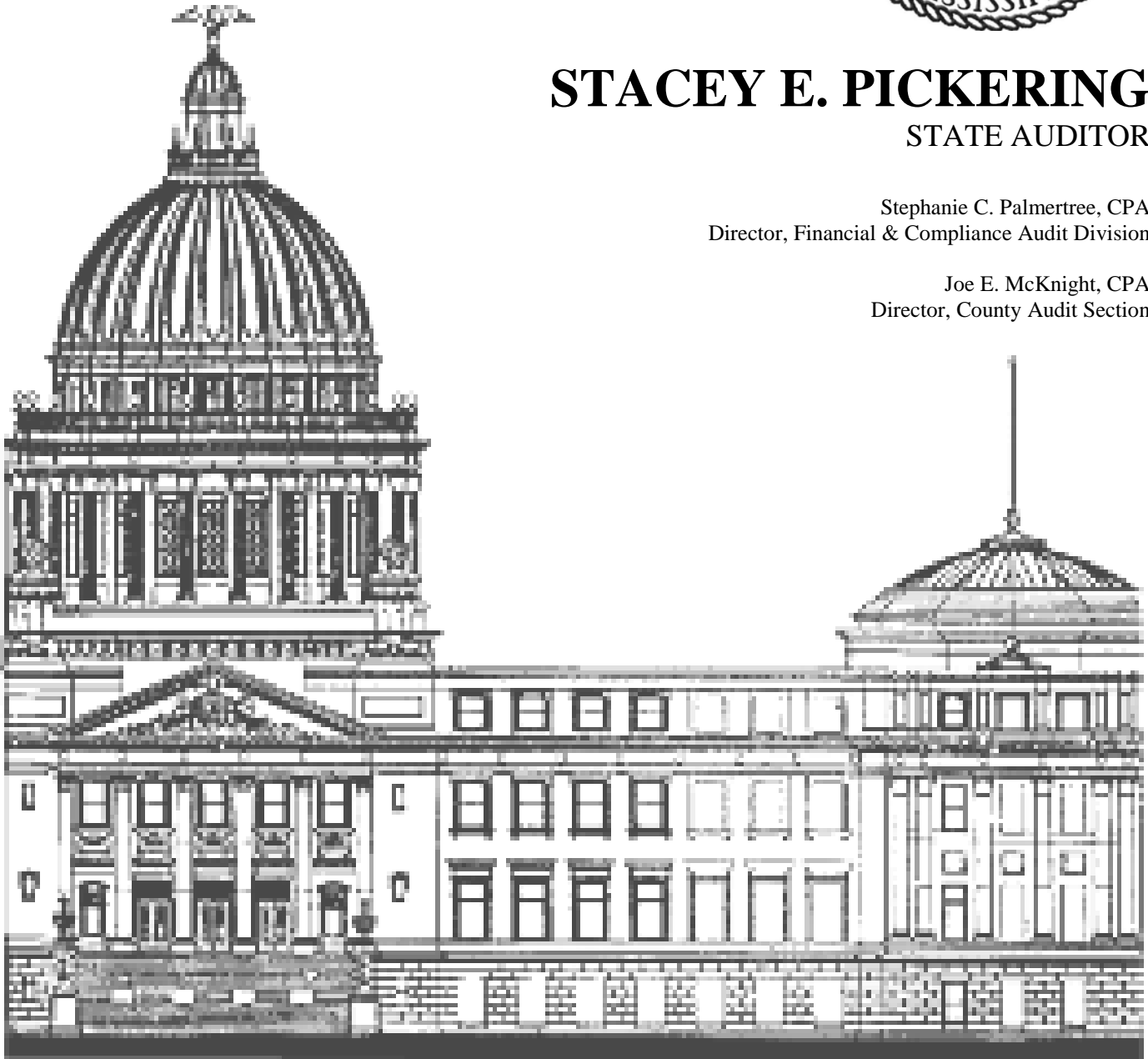


STACEY E. PICKERING

STATE AUDITOR

Stephanie C. Palmertree, CPA
Director, Financial & Compliance Audit Division

Joe E. McKnight, CPA
Director, County Audit Section



A Report from the County Audit Section

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

April 25, 2017

Members of the Board of Supervisors
Franklin County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2015 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 Joe McKnight of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering
State Auditor

FRANKLIN COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION	1
INDEPENDENT AUDITOR’S REPORT	3
FINANCIAL STATEMENTS	7
Statement of Net Position – Cash Basis	9
Statement of Activities – Cash Basis.....	10
Statement of Cash Basis Assets and Fund Balances – Governmental Funds	11
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds	12
Statement of Net Position – Cash Basis – Proprietary Fund	13
Statement of Cash Receipts, Disbursements and Changes in Net Position – Proprietary Fund	14
Statement of Fiduciary Assets and Liabilities – Cash Basis.....	15
Notes to Financial Statements	17
SUPPLEMENTAL INFORMATION	23
Schedule of Expenditures of Federal Awards	25
OTHER INFORMATION	27
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) - General Fund	29
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) – Countywide Bridge and Culvert Fund.....	30
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) – Hospital Contingency Fund	31
Schedule of Investments.....	32
Schedule of Investments.....	33
Schedule of Changes in Long-term Debt	34
Schedule of Surety Bonds for County Officials	35
Notes to the Other Information.....	37
SPECIAL REPORTS.....	39
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 <i>Government Auditing Standards</i>	41
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	43
Independent Accountant’s Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972))	45
Limited Internal Control and Compliance Review Management Report	51
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	55

FRANKLIN COUNTY

FINANCIAL SECTION

FRANKLIN COUNTY

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

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Franklin County, Mississippi

Report on the Financial Statements

We have audited the accompanying cash basis 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, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting, as described in Note 1. 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

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 cash basis assets, net position, receipts, and disbursements of the aggregate discretely presented component units is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the cash basis financial position of the aggregate discretely presented component units of Franklin County, Mississippi, as of September 30, 2015, or the changes in cash basis financial position thereof for the year then ended in accordance with accounting principles applicable to the County's cash basis of accounting.

Unmodified Opinions

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, 2015, and the respective changes in cash basis financial position thereof for the year then ended, in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements which describes that 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. Our opinions are not modified with respect to this matter.

Other Matters

Report on Supplementary and Other Information

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

The Budgetary Comparison Schedules, Schedule of Investments, Schedule of Capital Assets, Schedule of Changes in Long-term Debt, Schedule of Surety Bonds for County Officials and corresponding notes have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2017 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Franklin County, Mississippi's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Joe E. McKnight". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

April 25, 2017

FRANKLIN COUNTY

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FRANKLIN COUNTY

FINANCIAL STATEMENTS

FRANKLIN COUNTY

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FRANKLIN COUNTY
Statement of Net Position - Cash Basis
September 30, 2015

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 6,317,173	88,339	6,405,512
Total Assets	<u>6,317,173</u>	<u>88,339</u>	<u>6,405,512</u>
NET POSITION			
Restricted:			
Expendable:			
General government	114,055		114,055
Public safety	860,572		860,572
Public works	3,133,234	88,339	3,221,573
Health and welfare	680,298		680,298
Debt service	33,868		33,868
Unemployment compensation	28,196		28,196
Unrestricted	<u>1,466,950</u>		<u>1,466,950</u>
Total Net Position	<u>\$ 6,317,173</u>	<u>88,339</u>	<u>6,405,512</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, 2015

Exhibit 2

Functions/Programs	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 1,706,559	214,675	15,515		(1,476,369)		(1,476,369)
Public safety	1,206,679	119,740	35,972	119,459	(931,508)		(931,508)
Public works	2,676,681		1,419,002	45,455	(1,212,224)		(1,212,224)
Health and welfare	111,629		10,015	146,005	44,391		44,391
Culture and recreation	8,478				(8,478)		(8,478)
Education	384,424		384,424				
Conservation of natural resources	68,793				(68,793)		(68,793)
Economic development and assistance	6,926				(6,926)		(6,926)
Debt service:							
Principal	104,217				(104,217)		(104,217)
Interest	49,125				(49,125)		(49,125)
Total Governmental Activities	6,323,511	334,415	1,864,928	310,919	(3,813,249)	0	(3,813,249)
Business-type activities:							
Solid Waste	709,954	417,915				(292,039)	(292,039)
Total Business-type Activities	709,954	417,915	0	0		(292,039)	(292,039)
Total Primary Government	\$ 7,033,465	752,330	1,864,928	310,919	(3,813,249)	(292,039)	(4,105,288)
General receipts:							
Property taxes					\$ 2,193,318	213,762	2,407,080
Road & bridge privilege taxes					111,723		111,723
Grants and contributions not restricted to specific programs					633,656	761	634,417
Unrestricted interest income					6,848	175	7,023
Miscellaneous					57,925	7,393	65,318
Sale of county property					2,092		2,092
Total General Receipts and Other Cash Sources					3,005,562	222,091	3,227,653
Changes in Net Position					(807,687)	(69,948)	(877,635)
Net Position - Beginning					7,124,860	158,287	7,283,147
Net Position - Ending					\$ 6,317,173	88,339	6,405,512

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, 2015

Exhibit 3

	<u>Major Funds</u>				
	<u>General</u>	<u>Countywide</u>	<u>Hospital</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Bridge and Culvert</u>	<u>Contingency</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
ASSETS					
Cash	\$ 1,466,950	910,494	680,298	3,259,431	6,317,173
Total Assets	<u>\$ 1,466,950</u>	<u>910,494</u>	<u>680,298</u>	<u>3,259,431</u>	<u>6,317,173</u>
FUND BALANCES					
Restricted for:					
General government	\$			114,055	114,055
Public safety				860,572	860,572
Public works		910,494		2,222,740	3,133,234
Health and welfare			680,298		680,298
Debt service				33,868	33,868
Unemployment compensation				28,196	28,196
Unassigned	1,466,950				1,466,950
Total Fund Balances	<u>\$ 1,466,950</u>	<u>910,494</u>	<u>680,298</u>	<u>3,259,431</u>	<u>6,317,173</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, 2015

	Major Funds				
	General Fund	Countywide Bridge and Culvert Fund	Hospital Contingency Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS					
Property taxes	\$ 1,461,287	18,681	111,887	601,463	2,193,318
Road and bridge privilege taxes				111,723	111,723
Licenses, commissions and other receipts	83,731				83,731
Fines and forfeitures	144,518			6,900	151,418
Intergovernmental receipts	893,241	346,196	146,401	1,423,665	2,809,503
Charges for services	440			98,826	99,266
Interest income	2,823	809	499	2,717	6,848
Miscellaneous receipts	25,105		20,996	11,824	57,925
Total Receipts	<u>2,611,145</u>	<u>365,686</u>	<u>279,783</u>	<u>2,257,118</u>	<u>5,513,732</u>
DISBURSEMENTS					
General government	1,613,080			93,479	1,706,559
Public safety	857,631			349,048	1,206,679
Public works		473,745		2,202,936	2,676,681
Health and welfare	86,797		24,832		111,629
Culture and recreation				8,478	8,478
Education	384,424				384,424
Conservation of natural resources	68,793				68,793
Economic development and assistance	6,926				6,926
Debt service:					
Principal				104,217	104,217
Interest				49,125	49,125
Total Disbursements	<u>3,017,651</u>	<u>473,745</u>	<u>24,832</u>	<u>2,807,283</u>	<u>6,323,511</u>
Excess (Deficiency) of Receipts over Disbursements	<u>(406,506)</u>	<u>(108,059)</u>	<u>254,951</u>	<u>(550,165)</u>	<u>(809,779)</u>
OTHER CASH SOURCES (USES)					
Sale of county property	1,850			242	2,092
Transfers in				944	944
Transfers out	(944)				(944)
Total Other Cash Sources and Uses	<u>906</u>	<u>0</u>	<u>0</u>	<u>1,186</u>	<u>2,092</u>
Excess (Deficiency) of Receipts and other Cash Sources over Disbursements and other Cash Uses	<u>(405,600)</u>	<u>(108,059)</u>	<u>254,951</u>	<u>(548,979)</u>	<u>(807,687)</u>
Cash Basis Fund Balances - Beginning	<u>1,872,550</u>	<u>1,018,553</u>	<u>425,347</u>	<u>3,808,410</u>	<u>7,124,860</u>
Cash Basis Fund Balances - Ending	<u>\$ 1,466,950</u>	<u>910,494</u>	<u>680,298</u>	<u>3,259,431</u>	<u>6,317,173</u>

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

FRANKLIN COUNTY
Statement of Net Position - Cash Basis - Proprietary Fund
September 30, 2015

Exhibit 5

		Business-type Activities - Enterprise Fund
		<u>Sanitation and Waste Removal Fund</u>
ASSETS		
Cash	\$	<u>88,339</u>
Total Assets		<u><u>88,339</u></u>
NET POSITION		
Restricted for:		
Public works		<u>88,339</u>
Total Net Position	\$	<u><u>88,339</u></u>

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

FRANKLIN COUNTY

Exhibit 6Statement of Cash Receipts, Disbursements and Changes in Net Position - Proprietary Fund
For the Year Ended September 30, 2015

	Business-type Activities - Enterprise Fund
	<u>Sanitation and Waste Removal Fund</u>
Operating Receipts	
Charges for services	\$ 417,915
Miscellaneous	7,393
Total Operating Receipts	<u>425,308</u>
Operating Disbursements	
Personal services	404,426
Contractual services	245,946
Materials and supplies	59,582
Total Operating Disbursements	<u>709,954</u>
Operating Income (Loss)	<u>(284,646)</u>
Nonoperating Receipts (Disbursements)	
Property tax	213,762
Interest income	175
Intergovernmental receipts	761
Net Nonoperating Receipts (Disbursements)	<u>214,698</u>
Net Income (Loss)	<u>(69,948)</u>
Changes in Net Position	(69,948)
Net Position - Beginning	<u>158,287</u>
Net Position - Ending	\$ <u><u>88,339</u></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, 2015

Exhibit 7

	<u>Agency Funds</u>
ASSETS	
Cash	\$ <u>682,090</u>
Total Assets	\$ <u><u>682,090</u></u>
LIABILITIES	
Amounts held in custody for others	\$ <u>682,090</u>
Total Liabilities	\$ <u><u>682,090</u></u>

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

FRANKLIN COUNTY

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FRANKLIN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Franklin County, Mississippi (the 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. These accounting principles 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 accordance 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 Position – 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 Position – 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 Position – 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, 2015

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.

Hospital Contingency Fund - This fund is used to account for funds received for the benefit of the hospital.

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, 2015

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 classification used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 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 position and displayed in two components:

Restricted net position - Consists of net position 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 position - All other net position not meeting the definition of "restricted."

Net Position Flow Assumption:

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.

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.

FRANKLIN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

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.

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.

Fund Balance Flow Assumption:

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) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2015, was \$7,087,602, and the bank balance was \$7,178,649. 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. 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). 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, 2015

(3) Interfund Transfers.

The following is a summary of the interfund transfer at September 30, 2015:

Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ <u>944</u>

The principal purpose of the interfund transfer was to provide funds for grant matches. The interfund transfer was routine and consistent with the activities of the fund making the transfer.

(4) 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, 2015, to January 1, 2016. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(5) 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.

(6) 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 contributed \$185,001 for maintenance and support of the district in fiscal year 2015.

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 contributed \$18,302 for the support of the district in fiscal year 2015.

FRANKLIN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

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 10 members of the board of commissioners. The County contributed \$18,000 for its support in fiscal year 2015.

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 contributed \$1,624 for its maintenance and support of the Southwest Mississippi Partnership in fiscal year 2015.

(7) 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, 2015, 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, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2015, 2014 and 2013 were \$292,216, \$284,443 and \$256,127, respectively, equal to the required contributions for each year.

FRANKLIN COUNTY

SUPPLEMENTAL INFORMATION

FRANKLIN COUNTY

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FRANKLIN COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture - Forest Service/ Schools and roads - grants to states (Direct Award)*	10.665	N/A	\$ <u>260,694</u>
Passed-through the Mississippi State Treasurers Office Schools and roads - grants to states*	10.665	N/A	<u>732,219</u>
Total U.S. Department of Agriculture			<u>992,913</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	13LB1191	<u>2,749</u>
U.S. Department of Transportation - Federal Highway Administration Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	BR NBIS 078 B(19)	26,020
Highway planning and construction	20.205	TTDG-001914BO	<u>176,799</u>
Total U.S. Department of Transportation			<u>202,819</u>
U.S. Department of Homeland Security Passed-through the Mississippi Emergency Management Agency Hazard mitigation grant	97.039	HMGP 1604-0010	<u>265,464</u>
Emergency management performance grants	97.042	N/A	<u>3,500</u>
Total U.S. Department of Homeland Security			<u>268,964</u>
Total Expenditures of Federal Awards			\$ <u><u>1,467,445</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

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FRANKLIN COUNTY

OTHER INFORMATION

FRANKLIN COUNTY

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FRANKLIN COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2015
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 1,472,560	1,461,287	1,461,287	
Licenses, commissions and other receipts	70,000	83,731	83,731	
Fines and forfeitures	176,500	144,518	144,518	
Intergovernmental receipts	1,158,600	893,241	893,241	
Charges for services	400	440	440	
Interest income		2,823	2,823	
Miscellaneous receipts	4,500	25,105	25,105	
Total Receipts	<u>2,882,560</u>	<u>2,611,145</u>	<u>2,611,145</u>	<u>0</u>
DISBURSEMENTS				
Current:				
General government	1,732,419	1,613,080	1,613,080	
Public safety	1,092,670	857,631	857,631	
Health and welfare	95,105	86,797	86,797	
Education		384,424	384,424	
Conservation of natural resources	73,350	68,793	68,793	
Economic development and assistance	47,002	6,926	6,926	
Total Disbursements	<u>3,040,546</u>	<u>3,017,651</u>	<u>3,017,651</u>	<u>0</u>
Excess (Deficiency) of Receipts over (under) Disbursements	<u>(157,986)</u>	<u>(406,506)</u>	<u>(406,506)</u>	<u>0</u>
OTHER CASH SOURCES (USES)				
Sale of county property		1,850	1,850	
Transfers out		(944)	(944)	
Total Other Cash Sources and Uses	<u>0</u>	<u>906</u>	<u>906</u>	<u>0</u>
Net Change in Fund Balance	(157,986)	(405,600)	(405,600)	0
Fund Balances - Beginning	<u>1,896,295</u>	<u>1,872,550</u>	<u>1,872,550</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 1,738,309</u>	<u>1,466,950</u>	<u>1,466,950</u>	<u>0</u>

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

FRANKLIN COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Bridge and Culvert Fund
 For the Year Ended September 30, 2015
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 17,640	18,681	18,681	
Intergovernmental receipts	23,400	346,196	346,196	
Interest income	950	809	809	
Total Receipts	<u>41,990</u>	<u>365,686</u>	<u>365,686</u>	<u>0</u>
DISBURSEMENTS				
Current:				
Public works	<u>898,900</u>	<u>473,745</u>	<u>473,745</u>	
Total Disbursements	<u>898,900</u>	<u>473,745</u>	<u>473,745</u>	<u>0</u>
Excess (Deficiency) of Receipts over (under) Disbursements	<u>(856,910)</u>	<u>(108,059)</u>	<u>(108,059)</u>	<u>0</u>
Net Change in Fund Balance	(856,910)	(108,059)	(108,059)	0
Fund Balances - Beginning	<u>1,092,625</u>	<u>1,018,553</u>	<u>1,018,553</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 235,715</u>	<u>910,494</u>	<u>910,494</u>	<u>0</u>

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

FRANKLIN COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Hospital Contingency Fund
 For the Year Ended September 30, 2015
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 103,250	111,887	111,887	
Intergovernmental receipts	1,200	146,401	146,401	
Interest income	340	499	499	
Miscellaneous receipts		20,996	20,996	
Total Receipts	<u>104,790</u>	<u>279,783</u>	<u>279,783</u>	<u>0</u>
DISBURSEMENTS				
Current:				
Health and welfare	<u>115,000</u>	<u>24,832</u>	<u>24,832</u>	
Total Disbursements	<u>115,000</u>	<u>24,832</u>	<u>24,832</u>	<u>0</u>
Excess (Deficiency) of Receipts over (under) Disbursements	<u>(10,210)</u>	<u>254,951</u>	<u>254,951</u>	<u>0</u>
Net Change in Fund Balance	(10,210)	254,951	254,951	0
Fund Balances - Beginning	<u>420,305</u>	<u>425,347</u>	<u>425,347</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 410,095</u>	<u>680,298</u>	<u>680,298</u>	<u>0</u>

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

FRANKLIN COUNTY
Schedule of Investments
For the Year Ended September 30, 2015
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			123,660
TOTAL GOVERNMENTAL FUNDS					\$ 123,660	0	0	123,660

FRANKLIN COUNTY
Schedule of Capital Assets
For the Year Ended September 30, 2015
UNAUDITED

Governmental activities:

	Balance Oct. 1, 2014	Additions	Deletions	Adjustments	Balance Sept. 30, 2015
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	4,044,966		48,867		3,996,099
Furniture and equipment	889,235	312,686			1,201,921
Total capital assets	\$ 10,427,046	312,686	48,867	0	10,690,865

Business-type activities:

	Balance Oct. 1, 2014	Additions	Deletions	Adjustments	Balance Sept. 30, 2015
Land	\$ 1,516				1,516
Mobile equipment	360,119				360,119
Total capital assets	\$ 361,635	0	0	0	361,635

FRANKLIN COUNTY
Schedule of Changes in Long-term Debt
For the Year Ended September 30, 2015
UNAUDITED

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2015:

Description and Purpose	Issue Date	Maturity Date	Interest Rate	Balance Oct. 1, 2014	Issued	Principal Payments	Balance Sept. 30, 2015
Governmental Activities:							
A. General Obligation Bonds: Hospital Bond - Series 2003	10/01/2003	07/01/2023	2.00-5.50%	\$ 850,000		75,000	775,000
B. Capital Leases:							
Road equipment - Dura Star dump truck	09/25/2012	10/01/2015	2.29%	19,942		18,391	1,551
Road equipment - Dura Star International	12/13/2012	01/01/2016	2.08%	14,484		10,826	3,658
Total				\$ 884,426	0	104,217	780,209

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

FRANKLIN COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2015
UNAUDITED

Name	Position	Company	Bond
Gary Cameron	Supervisor District 1	Western Surety	\$100,000
David Southerland	Supervisor District 2	Brierfield	\$100,000
Mike Hunt	Supervisor District 3	Brierfield	\$100,000
Jerry Howell	Supervisor District 4	Brierfield	\$100,000
Jimmie Bass	Supervisor District 5	Brierfield	\$100,000
Jill Gilbert	Chancery Clerk	Brierfield	\$100,000
Amanda Perry	Purchase Clerk	Brierfield	\$75,000
Jill Gilbert	Assistant Purchase Clerk	Brierfield	\$50,000
Kristen Temple	Receiving Clerk	Brierfield	\$75,000
David Sanders	Assistant Receiving Clerk	FCCI	\$50,000
James Russell	Assistant Receiving Clerk	FCCI	\$50,000
Thomas Sullivan	Assistant Receiving Clerk	FCCI	\$50,000
Daniel Sullivan	Assistant Receiving Clerk	FCCI	\$50,000
Heath Woodcock	Assistant Receiving Clerk	FCCI	\$50,000
Vickie Young	Assistant Receiving Clerk	FCCI	\$50,000
Walter Campbell	Assistant Receiving Clerk	Brierfield	\$50,000
Tonya Blackwell	Inventory Control Clerk	FCCI	\$75,000
Charles Brown	Constable	Brierfield	\$50,000
Tommy Myers	Constable	FCCI	\$50,000
Millie Thornton	Circuit Clerk	Brierfield	\$100,000
Hilda Peeler	Deputy Circuit Clerk	FCCI	\$50,000
James Newman	Sheriff	Brierfield	\$100,000
Otis Dyer	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))	FCCI	\$50,000
James Blackwell	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Brierfield	\$50,000
Lee Turner	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Brian Monroe	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	FCCI	\$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
Jennifer Wallace	Deputy Justice Court Clerk	Brierfield	\$50,000
Jeff Mullins	Tax Assessor-Collector	Brierfield	\$100,000
Rhonda Farris	Deputy Tax Assessor - Collector	Brierfield	\$50,000
Vickie Young	Deputy Tax Assessor - Collector	Travelers	\$50,000
Traci Carraway	Deputy Tax Assessor - Collector	Brierfield	\$50,000
Debra Wactor	Solid Waste	Brierfield	\$50,000
Percy Peeler	Coroner	Brierfield	\$2,000

FRANKLIN COUNTY

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FRANKLIN COUNTY
Notes to Other Information
For the Year Ended September 30, 2015
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 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.

(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 issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2015, the amount of outstanding debt was less than one percent of the latest property assessments.

B. Subsequent Events.

Subsequent to September 30, 2015, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
05/01/2016	2.33%	\$ 44,750	Capital Financing	Ad valorem taxes
02/02/2017	2.52%	101718	Capital Financing	Ad valorem taxes

FRANKLIN COUNTY

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FRANKLIN COUNTY

SPECIAL REPORTS

FRANKLIN COUNTY

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

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

Members of the Board of Supervisors
Franklin County, Mississippi

We have audited, 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, 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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 25, 2017. 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Franklin County, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Franklin County, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as 2015-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Franklin County, Mississippi's financial statements are free from 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*.

We noted certain matters that we reported to the management of Franklin County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated April 25, 2017, included within this document.

Franklin County's Response to Finding

Franklin County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Franklin County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

April 25, 2017



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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Members of the Board of Supervisors
Franklin County, Mississippi

Report on Compliance for the Major Federal Program

We have audited Franklin County, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Franklin County, Mississippi's major federal program for the year ended September 30, 2015. Franklin County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Franklin County, Mississippi's major federal program based on our audit of the types of compliance requirements referred to above. 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 on compliance for the major federal program. However, our audit does not provide a legal determination of Franklin County, Mississippi's compliance.

Opinion on the Major Federal Program

In our opinion, Franklin County, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2015.

Report on Internal Control Over Compliance

Management of Franklin County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Franklin County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 a 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

April 25, 2017



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

**INDEPENDENT ACCOUNTANT'S REPORT ON CENTRAL PURCHASING SYSTEM, INVENTORY CONTROL
SYSTEM AND PURCHASE CLERK SCHEDULES
(AS 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, 2015. 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 such 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 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, 2015.

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, appearing to read "Joe E. McKnight". The signature is fluid and cursive, with a long horizontal stroke at the end.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

April 25, 2017

FRANKLIN COUNTY

Schedule 1

Schedule of Purchases From Other Than the Lowest Bidder

For the Year Ended September 30, 2015

<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>
06/01/2015	Fuel	\$ 2.2964/gallon	Kaiser Petroleum	\$ 2.289/gallon	The county barn was in need of fuel. Kaiser Petroleum could deliver same day, whereas Buffalo Services would be either the following day or later.

FRANKLIN COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2015

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
11/30/2014	Transport	\$ 2,963	Prisoner Transport	Emergency transportation of prisoners from Kingman, AZ to Franklin County Sheriff's Department.
07/20/2015	Tree removal	2,700	Clarence Harris	To cut dangerous trees on McNair Road and Monroe Road.

FRANKLIN COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2015

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

FRANKLIN COUNTY

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

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Franklin County, Mississippi

In planning and performing our audit of the financial statements of Franklin County, Mississippi (the County) for the year ended September 30, 2015, 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 April 25, 2017, on the financial statements of Franklin County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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

Board of Supervisors.

1. The County should strengthen passwords.

Finding

As reported in the prior year's audit report, we noted during our review that the County is using some parameters associated with password strength that do not meet industry standard best practices, thereby creating unnecessary risk for the County's information assets.

Gaining access to data assets can often open doors to highly confidential information such as Personally Identifiable Information (PII), confidential governmental reports, and security information related to governmental entities. Through this type of unauthorized access situations, such as data breaches and denial of service attacks can be initiated.

Attack methods can be slowed down significantly or even defeated through the use of strong passwords. Therefore, whenever possible, computer users should use strong passwords for all of their computer accounts.

Recommendation

We recommend that the County improve its password strength by changing password parameters to comply with password management best practices and industry standards. Characteristics of strong passwords include requirements for sufficient length, complexity (combinations of numbers, letters and special characters), and periodic change of passwords.

Board of Supervisors' Response

County will comply.

2. The County should expire all individual passwords on a periodic basis.

Finding

As reported in the prior year's audit report, a review of the County's security settings revealed that some user's passwords were set to expire on a more infrequent basis than recommended in best business practices. All passwords should be set to expire in accordance with policy to be determined by the County using best business practices guidelines.

Recommendation

We recommend that a policy be implemented to ensure that passwords are expired on a regular basis. In addition, the County should conduct access reviews for information assets on a periodic basis (at least annually). Documentation of these reviews should be signed by the person conducting them and retained for review by auditors.

Board of Supervisors' Response

County will comply.

3. The County should create a rotation of backups offsite.

Finding

The County is currently using an automated system to perform daily backups of the AS400. As reported in the prior year's audit report, it was determined that the tapes should be taken offsite, as no other copy of the County's data was being stored in an offsite location. Without proper offsite storage of backup files and applications, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's buildings and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Recommendation

We recommend that the County implement a plan to ensure that all backup files are taken offsite on a regular basis and stored in a safe and secure location. This process should be documented in the County's Disaster Recovery Plan. With close proximity of a bank, it would be convenient and safe to place the backup tapes in the night deposit drop and then place them in a safe deposit box the next day. It is further recommended that tapes be kept at the bank for several days (e.g. two weeks), in case of a disaster situation that required recovery and problems in reading recovery tapes were experienced.

Board of Supervisor's Response

Bank previously kept our backups as well as land record microfilms. Four years ago, we were told that they no longer have storage available. Since then, the Chancery Clerk stores daily backup tapes in a fireproof safe and takes yearly backup tapes to her home for storage in a fireproof gun safe. Also, Delta (AS400) data is stored on another server across the street at Solid Waste Department.

4. The County should establish and test a disaster recovery process.

Finding

As reported in the prior year's audit report, during our review of the information systems controls of the County, we noted that the County has not established a disaster recovery process. As a result, the County cannot fully ensure that the information systems can be restored in a timely manner. Disaster recovery involves defining and documenting plans to help sustain and recover critical information technology resources, information systems, and associated business functions. *Control Objectives for Information and Related Technology* (CobiT, Section DS4), as well as recognized industry best practices, require a written disaster recovery plan be developed and tested regularly to provide orderly recovery of vital functions in the event of a hardware or environmental disaster. Failure to maintain an adequate recovery plan could impede the County's ability to regain computer operations in the event of a disaster.

There are a number of steps that an organization can take to prevent or minimize the damage to automated operations that may occur from unexpected events. One example is routinely backing up data files and programs and periodically restoring these files and programs as part of a formal, documented disaster recovery exercise. Such actions maintain the organization's ability to restore data files, which may be impossible to recreate.

The County is currently creating backup files, but is not restoring such files as part of a formal, documented disaster recovery exercise. Without proper assurance that backup files can be utilized to adequately restore all critical data in a timely manner in the event of a disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's buildings and servers. Risks and probabilities of material loss escalate in relationship to the longer an exposure goes unmitigated.

Recommendation

We recommend that the County develop, implement, and test a plan to ensure that critical data and applications are recoverable in case of a disaster scenario. In order to do this, it will be necessary to gain an understanding from vendors involved in the backup process of the types of backups that should be created, on what frequency these backups should be created, the processes necessary to create the various types of backups and the responsibilities of the various parties involved, including county personnel and vendor personnel. Furthermore, these procedures and responsibilities should be documented and agreed upon by all parties involved.

We also recommend that the County develop and implement a disaster recovery plan documenting procedures to be followed during an emergency. Once the plan is completed, it should be subjected to proper testing, and employees should be made aware of their responsibilities in the event of a disaster. The plan should be stored in a safe, accessible location and updated when needed in order to maintain readiness for a disaster scenario.

Board of Supervisors' Response

County will comply.

5. The County should implement a formal information security policy.

Finding

As reported in the prior year's audit report, the County has not adopted a formal Information Security Policy or Enterprise Security Plan. The lack of a formal Information Security Policy can lead to a breakdown of basic security practices in the areas of application security, LAN/WAN security, management of the security application and internet protocol.

Recommendation

A robust set of Information Technology Policies should cover at least the following areas:

- Acceptable Use
- Portable Computing
- Change Management
- Encryption

- Security Incident Response
- Risk Management
- Backup and Recovery
- Business Continuity / Disaster Recovery

While full compliance with all facets of such a policy may be an economic challenge for the County, beginning steps to become compliant with a policy covering areas such as those listed above are necessary. We recommend that the County create a plan of compliance with industry standards to ensure progress towards a robust documented information security plan. This policy should be reviewed and approved by the County's Board of Supervisors. In addition, employees that utilize technology should review and accept such policies before access to computer resources is granted to employees. Proof of approval by management and acceptance by employees should be retained for review by auditors.

Board of Supervisors' Response

County will comply.

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

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

A handwritten signature in black ink, reading "Joe E. McKnight". The signature is fluid and cursive, with the first name "Joe" and last name "McKnight" clearly legible.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

April 25, 2017

FRANKLIN COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FRANKLIN COUNTY

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FRANKLIN COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements:

Governmental activities	Unmodified
Business-type activities	Unmodified
Aggregate discretely presented component units	Adverse
General Fund	Unmodified
Countywide Bridge and Culvert Fund	Unmodified
Hospital Contingency Fund	Unmodified
Sanitation and Waste Removal Fund	Unmodified
Aggregate remaining fund information	Unmodified
2. Internal control over financial reporting:
 - a. Material weakness identified? Yes
 - b. Significant deficiency identified? None Reported
3. Noncompliance material to the financial statements noted? No

Federal Awards:

4. Internal control over major federal programs:
 - a. Material weakness identified? No
 - b. Significant deficiency identified? None Reported
5. Type of auditor's report issued on compliance for major federal programs: Unmodified
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. Identification of major federal programs:

CFDA #10.665, Schools and roads - grants to states
8. Dollar threshold used to distinguish between type A and type B programs: \$300,000
9. Auditee qualified as low-risk auditee? No

FRANKLIN COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015

Section 2: Financial Statement Findings

Sheriff.

Material Weakness

2015-001. The Sheriff's Office should make daily deposits.

Finding

An effective system of internal controls over cash requires that daily deposits be made. As reported in the prior seven years' audit reports, the Sheriff failed to make daily deposits throughout the fiscal year. The 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

The Sheriff's office will make every effort to comply with the state audit department's recommendation.

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.