



**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR**

**PHIL BRYANT**  
State Auditor

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

**J. SCOTT SPEIGHTS, MBA, CIA, CGAP**  
Director, County Audit Section

**CLAIBORNE COUNTY, MISSISSIPPI**

**Audited Primary Government Financial Statements and Special Reports  
For the Year Ended September 30, 2005**



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CLAIBORNE COUNTY

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CLAIBORNE COUNTY

FINANCIAL SECTION

CLAIBORNE COUNTY

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# State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

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

Members of the Board of Supervisors  
Claiborne County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Claiborne County, Mississippi, as of and for the year ended September 30, 2005, which collectively comprise the county's primary government financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements referred to above include only the primary government of Claiborne 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 Claiborne County, Mississippi, as of September 30, 2005, and the respective changes in its financial position 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, each major fund and the aggregate remaining fund information for the primary government of Claiborne County, Mississippi, as of September 30, 2005, and the respective changes in financial position 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 May 12, 2006, on our consideration of Claiborne 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.

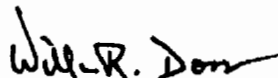
Claiborne County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

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

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



PHIL BRYANT  
State Auditor



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

May 12, 2006

[Except for Note 20 to which the date is October 16, 2006]

CLAIBORNE COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

CLAIBORNE COUNTY  
Statement of Net Assets  
September 30, 2005

Exhibit 1

	Primary Government <u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 1,579,473
Accrued interest receivable	301
Property tax receivable	2,400,336
Accounts receivable (net of allowance for uncollectibles of \$254,994)	181,446
Fines receivable (net of allowance for uncollectibles of \$89,637)	47,046
Loans receivable	614,222
Intergovernmental receivables	258,327
Other receivables	893
Capital assets, net	<u>11,064,002</u>
Total Assets	<u>16,146,046</u>
<b>LIABILITIES</b>	
Claims payable	28,488
Amounts held in custody for others	81,443
Intergovernmental payables	58,025
Accrued interest payable	32,751
Unearned revenue	2,400,336
Short-term debt	369,872
Long-term liabilities	
Due within one year:	
Capital debt	415,038
Non-capital debt	72,351
Due in more than one year:	
Capital debt	3,157,227
Non-capital debt	<u>371,910</u>
Total Liabilities	<u>6,987,441</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	7,491,737
Restricted:	
Expendable:	
Debt service	26,107
Public safety	328,896
Public works	174,534
Culture and recreation	26,450
Economic development	410,000
Unrestricted	<u>700,881</u>
Total Net Assets	<u>\$ 9,158,605</u>

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

CLAIBORNE COUNTY  
Statement of Activities  
For the Year Ended September 30, 2005

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 3,200,472	156,067	13,757	17,773	(3,012,875)
Public safety	2,282,534	91,792	151,099	143,447	(1,896,196)
Public works	1,984,599	111,318	489,716	464,060	(919,505)
Health and welfare	1,636,449		911,885		(724,564)
Culture and recreation	240,587		7,000	13,869	(219,718)
Education	540,782				(540,782)
Conservation of natural resources	215,159			472,310	257,151
Economic development and assistance	132,724		35,122	14,186	(83,416)
Interest on long-term debt	193,120				(193,120)
Total Governmental Activities	<u>\$ 10,426,426</u>	<u>359,177</u>	<u>1,608,579</u>	<u>1,125,645</u>	<u>(7,333,025)</u>
General revenues:					
Property taxes					\$ 1,889,894
Road & bridge privilege taxes					118,637
Grants and contributions not restricted to specific programs					4,847,007
Unrestricted interest income					52,843
Miscellaneous					268,050
Total General Revenues					<u>7,176,431</u>
Changes in Net Assets					<u>(156,594)</u>
Net Assets - Beginning					10,200,916
Prior period adjustment					(885,717)
Net Assets - Beginning, as restated					<u>9,315,199</u>
Net Assets - Ending					<u>\$ 9,158,605</u>

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

CLAIBORNE COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2005

Exhibit 3

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Road Fund	Debt Service Fund		
<b>ASSETS</b>					
Cash	\$ 787,625	214	49,449	742,185	1,579,473
Accrued interest receivable	79			222	301
Property tax receivable	1,438,753	185,072	500,000	276,511	2,400,336
Accounts receivable (net of allowance for uncollectibles of \$254,994)				181,446	181,446
Fines receivable (net of allowance for uncollectibles of \$89,637)	47,046				47,046
Loans receivable	204,222			410,000	614,222
Intergovernmental receivables	119,973	138,354			258,327
Other receivables	893				893
Due from other funds		15,701	9,409	5,447	30,557
Total Assets	<u>\$ 2,598,591</u>	<u>339,341</u>	<u>558,858</u>	<u>1,615,811</u>	<u>5,112,601</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Claims payable	\$ 26,117	2,098		273	28,488
Amounts held in custody for others	81,443				81,443
Intergovernmental payables	52,380				52,380
Due to other funds	36,202				36,202
Deferred revenue	47,046			181,446	228,492
Unearned revenue	1,438,753	185,072	500,000	276,511	2,400,336
Short-term debt		369,872			369,872
Total Liabilities	<u>1,681,941</u>	<u>557,042</u>	<u>500,000</u>	<u>458,230</u>	<u>3,197,213</u>
Fund balances:					
Reserved for:					
Debt service			58,858		58,858
Loans receivable	204,222			410,000	614,222
Unreserved, reported in:					
General Fund	712,428				712,428
Special Revenue Funds		(217,701)		747,581	529,880
Total Fund Balances	<u>916,650</u>	<u>(217,701)</u>	<u>58,858</u>	<u>1,157,581</u>	<u>1,915,388</u>
Total Liabilities and Fund Balances	<u>\$ 2,598,591</u>	<u>339,341</u>	<u>558,858</u>	<u>1,615,811</u>	<u>5,112,601</u>

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

CLAIBORNE COUNTY

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
September 30, 2005

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 1,915,388
Amounts reported for governmental services in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$6,260,400.	11,064,002
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	228,492
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(4,016,526)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(32,751)</u>
Total Net Assets - Governmental Activities	<u>\$ 9,158,605</u>

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

CLAIBORNE COUNTY  
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2005

Exhibit 4

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Road Fund	Debt Service Fund		
<b>REVENUES</b>					
Property taxes	\$ 1,008,736	167,987	431,594	281,577	1,889,894
Road and bridge privilege taxes		118,637			118,637
Licenses, commissions and other revenue	127,743			2,446	130,189
Fines and forfeitures	42,977				42,977
Intergovernmental revenues	4,454,367	1,210,593	545,436	1,370,835	7,581,231
Charges for services	6,660			193,879	200,539
Interest income	51,364			1,479	52,843
Miscellaneous revenues	164,501	7,419	13,000	83,130	268,050
<b>Total Revenues</b>	<b>5,856,348</b>	<b>1,504,636</b>	<b>990,030</b>	<b>1,933,346</b>	<b>10,284,360</b>
<b>EXPENDITURES</b>					
Current:					
General government	3,129,426				3,129,426
Public safety	2,184,836			113,721	2,298,557
Public works		1,559,709		880,697	2,440,406
Health and welfare	435,857			860,744	1,296,601
Culture and recreation	233,395			5,958	239,353
Education			540,782		540,782
Conservation of natural resources	215,159				215,159
Economic development and assistance	60,626			72,099	132,725
Debt service:					
Principal	34,224	92,853	680,000		807,077
Interest	10,802	32,278	156,552		199,632
<b>Total Expenditures</b>	<b>6,304,325</b>	<b>1,684,840</b>	<b>1,377,334</b>	<b>1,933,219</b>	<b>11,299,718</b>
Excess of Revenues over (under) Expenditures	<u>(447,977)</u>	<u>(180,204)</u>	<u>(387,304)</u>	<u>127</u>	<u>(1,015,358)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-term capital debt issued		200,746			200,746
Proceeds from sale of capital assets	540	21,600			22,140
<b>Total Other Financing Sources and Uses</b>	<b>540</b>	<b>222,346</b>	<b>0</b>	<b>0</b>	<b>222,886</b>
Net Changes in Fund Balances	(447,437)	42,142	(387,304)	127	(792,472)
Fund Balances - Beginning	<u>1,364,087</u>	<u>(259,843)</u>	<u>446,162</u>	<u>1,157,454</u>	<u>2,707,860</u>
Fund Balances - Ending	<u>\$ 916,650</u>	<u>(217,701)</u>	<u>58,858</u>	<u>1,157,581</u>	<u>1,915,388</u>

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

CLAIBORNE COUNTY  
 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, 2005

Exhibit 4-1

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (792,472)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$966,549 exceeded depreciation of \$563,173 in the current period.	403,376
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$326,694 and the proceeds from the sale of \$22,140 in the current period.	(348,834)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(4,863)
Solid waste 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.	(9,664)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$807,077 exceeded debt proceeds of \$200,746.	606,331
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
The amount of decrease in accrued interest payable	6,512
The amount of increase in compensated absences	<u>(16,980)</u>
Change in Net Assets of Governmental Activities	<u>\$ (156,594)</u>

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

CLAIBORNE COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2005

Exhibit 5

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 132,169
Due from other funds	<u>5,645</u>
Total Assets	<u>\$ 137,814</u>
<b>LIABILITIES</b>	
Amounts held in custody for others	\$ 4,072
Intergovernmental payables	<u>133,742</u>
Total Liabilities	<u>\$ 137,814</u>

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

## CLAIBORNE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2005

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

##### A. Financial Reporting Entity.

Claiborne 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 Claiborne 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 significant operational or financial relationship with the county. Accordingly, the financial statements do not include the data of this component unit necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Claiborne County 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. Individual Component Unit Disclosures.

###### Blended Component Unit

Certain component units, although legally separate from the primary government, are nevertheless so intertwined with the primary government that they are, in substance, the same as the primary government. Therefore, these component units are reported as if they are part of the primary government. The Claiborne County Port Commission component unit's balances and transactions are blended with the balances and transactions of the primary government.

##### C. Basis of Presentation.

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

###### 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.

## CLAIBORNE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2005

The Statement of Net Assets presents the financial condition of the governmental 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. 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 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. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

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

The Government-wide and Fiduciary Funds financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied.

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.

Road Fund - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

Debt Service Fund - This fund is used to account for resources accumulated and used for the payment of long-term debt principal, interest and related costs of borrowing used for road projects.

CLAIBORNE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

FIDUCIARY FUND TYPE

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

E. Account Classifications.

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

F. Deposits and Investments.

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

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

G. Receivables.

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

H. Interfund Transactions and Balances.

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

CLAIBORNE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. The extent to which capital assets costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Claiborne 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.

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.

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

\* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

J. Long-term Liabilities.

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

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

CLAIBORNE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

K. Equity Classifications.

Government-wide Financial Statements:

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

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or 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 and regulations of other governments; or law through constitutional provisions or enabling legislation.

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

Fund Financial Statements:

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

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

L. Property Tax Revenues.

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

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

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

CLAIBORNE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

M. Intergovernmental Revenues in Governmental Funds.

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

N. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. 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, 2005, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*. GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The provisions of this new statement have been incorporated into the financial statements and the accompanying notes.

(3) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
To correct error in prior year justice court fines receivable, net	\$ (263,022)
To correct error in capital assets, net	<u>(622,695)</u>
Total prior period adjustments	<u>\$ (885,717)</u>

(4) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2005, was \$1,711,642 and the bank balance was \$2,123,895. 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.

CLAIBORNE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

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.

(5) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2005:

Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Road	General	\$ 15,701
Debt Service	General	9,409
Other Governmental Funds	General	5,447
Agency Funds	General	<u>5,645</u>
Total		<u>\$ 36,202</u>

The receivables represent the tax revenue collected but not settled until October, 2005. All interfund balances are expected to be repaid within one year from the date of the financial statements.

(6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2005, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tag credit	\$ 50,614
City of Port Gibson	9,600
Community emergency response team	1,884
Homeland security grant program	10,000
Disaster grants - public assistance	71,229
Natural Resources Conservation Service	<u>115,000</u>
Total Governmental Activities	<u>\$ 258,327</u>

CLAIBORNE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

(7) Loans Receivable.

Loans receivable balances at September 30, 2005, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Balance Payable
Hospital loan	07-06-01	0%	N/A	\$ 60,000
Hospital loan	07-11-01	0%	N/A	65,000
Port Gibson Apartments, LLC	03-13-01	Various	09-50	410,000
Hospital loan	03-09-04	0%	12-07	79,222
Total				<u>\$ 614,222</u>

(8) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2005:

Governmental activities:

	Balance Oct. 1, 2004	Additions	Deletions	Adjustments *	Balance Sept. 30, 2005
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,378,151		43,600	(266,000)	1,068,551
Construction in progress	3,733,705	589,917		(4,323,622)	0
Total non-depreciable capital assets	<u>5,111,856</u>	<u>589,917</u>	<u>43,600</u>	<u>(4,589,622)</u>	<u>1,068,551</u>
<u>Depreciable capital assets:</u>					
Infrastructure				4,323,622	4,323,622
Buildings	6,098,490		387,900	266,000	5,976,590
Improvements other than buildings	2,855,319				2,855,319
Mobile equipment	2,301,685	115,565	104,300	(171,988)	2,140,962
Furniture and equipment	166,134	60,321		24,969	251,424
Leased property under capital leases	507,188	200,746			707,934
Total depreciable capital assets	<u>11,928,816</u>	<u>376,632</u>	<u>492,200</u>	<u>4,442,603</u>	<u>16,255,851</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure		86,473			86,473
Buildings	1,986,775	127,291	93,096	3,520	2,024,490
Improvements other than buildings	2,178,661	59,463			2,238,124
Mobile equipment	985,363	154,161	93,870	439,229	1,484,883
Furniture and equipment	144,194	19,617		4,494	168,305
Leased property under capital leases	113,524	116,168		28,433	258,125
Total accumulated depreciation	<u>5,408,517</u>	<u>563,173</u>	<u>186,966</u>	<u>475,676</u>	<u>6,260,400</u>

CLAIBORNE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

	Balance <u>Oct. 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments *</u>	Balance <u>Sept. 30, 2005</u>
Total depreciable capital assets, net	6,520,299	(186,541)	305,234	3,966,927	9,995,451
Governmental activities capital assets, net	\$ <u>11,632,155</u>	<u>403,376</u>	<u>348,834</u>	<u>(622,695)</u>	<u>11,064,002</u>

\* Adjustments are to correct prior year errors and to reclassify completed construction in progress to infrastructure.

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 120,625
Public safety	94,009
Public works	347,526
Culture and recreation	<u>1,013</u>
 Total governmental activities depreciation expense	 \$ <u>563,173</u>

(9) Commitment.

Claiborne County participates in an interlocal agreement pertaining to a Multi-Jurisdictional Narcotics Enforcement Unit formed collectively with Holmes, Grenada, Humphreys and Leflore Counties and the municipalities of Itta Bena, Greenwood and Grenada known as the North Central Narcotics Task Force. The task force was formed as a joint effort to provide the maximum effectiveness and efficiency in the enforcement of the criminal laws of the state regarding controlled substances. Most of the funding will come from a federal grant, with the local entities contributing 25 percent. Claiborne County appropriated \$10,957 for support of the task force in fiscal year 2005.

(10) 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.

CLAIBORNE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

(11) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2005:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 645,385
Furniture and equipment	<u>62,549</u>
Total	707,934
Less: Accumulated depreciation	<u>258,125</u>
Leased Property Under Capital Leases	\$ <u><u>449,809</u></u>

The following is a schedule by years of the total payments due as of September 30, 2005:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 120,038	16,605
2007	121,709	12,725
2008	96,482	8,710
2009	242,010	4,590
2010	<u>2,026</u>	<u>5</u>
Total	\$ <u><u>582,265</u></u>	<u><u>42,635</u></u>

(12) Short-term Debt and Liquidity.

The following is a summary of short-term debt activity for the year ended September 30, 2005:

<u>Description of Debt</u>	<u>Balance Oct. 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance Sept. 30, 2005</u>
Note	\$ <u><u>712,500</u></u>	<u><u>0</u></u>	<u><u>342,628</u></u>	<u><u>0</u></u>	<u><u>369,872</u></u>

During the month of September, 2004, the county borrowed \$712,500 at 3.10 percent interest from a local banking institution to provide funding for the South Bald Hill Road Emergency Watershed Protection Program. The county extended the maturity date to December 15, 2005.

CLAIBORNE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

(13) Long-term Debt.

Debt outstanding as of September 30, 2005, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
General obligation refunding bonds - 1993B	\$ 1,190,000	5.10/5.40%	09-11
General obligation road and bridge - 2001	1,800,000	4.00/5.70%	06-16
General obligation certificates	<u>50,000</u>	4.70%	08-06
Total General Obligation Bonds	<u>\$ 3,040,000</u>		
B. Capital Leases:			
Phone system	\$ 33,913	5.65%	09-07
Case 750K crawler	62,682	3.00%	05-09
(2) Case 865 DPH motor graders	218,882	3.00%	05-09
(2) Massey Ferguson tractors with two Alamo mowers	23,628	2.78%	07-07
Daewoo 225 excavator	78,391	3.00%	08-09
(2) Massey Ferguson tractors with two Alamo mowers	71,379	2.78%	02-08
Daewoo mega 300v wheel loader	<u>93,390</u>	3.00%	10-09
Total Capital Leases	<u>\$ 582,265</u>		
C. Other Loans:			
State revolving loan fund	<u>\$ 198,835</u>	4.00%	01-13

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2006	\$ 345,000	146,817	22,351	7,630
2007	320,000	128,673	25,143	6,646
2008	330,000	111,965	26,167	5,622
2009	350,000	96,295	27,234	4,556
2010	370,000	79,280	28,343	3,446
2011 - 2015	1,120,000	182,490	69,597	3,469
2016 - 2020	<u>205,000</u>	<u>9,225</u>		
Total	<u>\$ 3,040,000</u>	<u>754,745</u>	<u>198,835</u>	<u>31,369</u>

CLAIBORNE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

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, 2005, the amount of outstanding debt was equal to 5.66% of the latest property assessments.

Prior Year Defeasance of Debt - In prior years, the county defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the county's financial statements. On September 30, 2005, \$1,960,000 of bonds outstanding were considered defeased.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2005:

	Balance Oct. 1, 2004	Additions	Reductions	Adjustments	Balance Sept. 30, 2005	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 178,446	16,980			195,426	
General obligation bonds	3,720,000		680,000		3,040,000	345,000
Capital leases	484,461	200,746	102,942		582,265	120,038
Other loans	222,970		24,135		198,835	22,351
Total	\$ 4,605,877	217,726	807,077	0	4,016,526	487,389

(14) Deficit Fund Balance of Individual Fund.

The following fund reported a deficit fund balance at September 30, 2005:

Fund	Deficit Amount
Road	\$ <u>217,701</u>

(15) Contingencies.

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

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

CLAIBORNE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

(16) No Commitment Debt (Not Included in Financial Statements).

No commitment debt is repaid only by the entities for whom the debt was issued and includes debt that either bears the county's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the county other than possibly an agreement to assist creditors in exercising their rights in the event of default. Because a default may adversely affect the county's own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

<u>Description</u>	<u>Balance at Sept. 30, 2005</u>
Industrial revenue bonds	\$ <u>123,845,000</u>

(17) Joint Venture.

The county participates in the following joint venture:

Claiborne County is a participant with the City of Port Gibson in a joint venture, authorized by Mississippi's non-profit corporate statutes, to operate the Harriette Person Memorial Library. The joint venture is governed by a nine-member board of trustees. By contractual agreement, the county's appropriation to the joint venture was \$40,438 in fiscal year 2005. Complete financial statements for the Harriette Person Memorial Library can be obtained from P. O. Box 1017, Port Gibson, MS 39150.

(18) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Hinds Community College operates in a district composed of the Counties of Claiborne, Copiah, Hinds, Rankin and Warren. The Claiborne County Board of Supervisors appoints one of the 15 members of the college board of trustees. The county appropriated \$266,334 for the maintenance and support of the college in fiscal year 2005.

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 Claiborne County Board of Supervisors appoints one of the ten members of the board of commissioners. The county appropriated \$19,600 for its support in fiscal year 2005.

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 Claiborne County Board of Supervisors appoints four of the 40 members of the board of directors. The county appropriated \$21,116 for its support in fiscal year 2005.

Southwest Mississippi Development Corporation 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 member counties provide only modest financial support for the entity.

CLAIBORNE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

(19) Defined Benefit Pension Plan.

Plan Description. Claiborne 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 current rate is 10.75% 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, 2005, 2004 and 2003 were \$283,829, \$260,125 and \$254,309, respectively, equal to the required contributions for each year.

(20) Subsequent Events.

Subsequent to September 30, 2005, Claiborne 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>
10-25-05	3.88%	\$ 112,555	Lease purchase	Ad valorem taxes
11-22-05	4.00/5.25%	4,450,000	General obligation bonds	Ad valorem taxes
12-07-05	3.90%	697,000	Loan	FEMA grant
02-24-06	3.97%	121,498	Lease purchase	Ad valorem taxes

Subsequent to the audit report date of May 12, 2006, Claiborne County issued the following debt obligation:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
09-27-06	6.40%	\$ 1,500,000	Loan	Ad valorem taxes

CLAIBORNE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

CLAIBORNE COUNTY

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CLAIBORNE COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 1,438,753	1,007,993	1,007,993	
Road and bridge privilege taxes		35,027	35,027	
Licenses, commissions and other revenue	214,550	150,826	150,826	
Fines and forfeitures	10,500	16,864	16,864	
Intergovernmental revenues	6,917,246	7,651,342	7,476,273	(175,069)
Charges for services	8,000	6,660	6,660	
Interest income	9,000	51,213	51,213	
Miscellaneous revenues	75,692	154,975	154,975	
Total Revenues	<u>8,673,741</u>	<u>9,074,900</u>	<u>8,899,831</u>	<u>(175,069)</u>
<b>EXPENDITURES</b>				
Current:				
General government	5,015,739	5,967,812	5,967,812	
Public safety	1,828,160	2,216,381	2,216,381	
Health and welfare	840,234	933,536	933,536	
Culture and recreation	210,449	236,520	236,520	
Conservation of natural resources	107,163	117,940	117,940	
Economic development and assistance	1,500	60,626	60,626	
Total Expenditures	<u>8,003,245</u>	<u>9,532,815</u>	<u>9,532,815</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>670,496</u>	<u>(457,915)</u>	<u>(632,984)</u>	<u>(175,069)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets		540	540	
Transfers in		(19,423)	(19,423)	
Total Other Financing Sources and Uses	<u>0</u>	<u>(18,883)</u>	<u>(18,883)</u>	<u>0</u>
Net Change in Fund Balance	670,496	(476,798)	(651,867)	(175,069)
Fund Balances - Beginning	<u>195,657</u>	<u>1,254,712</u>	<u>1,198,479</u>	<u>(56,233)</u>
Fund Balances - Ending	<u>\$ 866,153</u>	<u>777,914</u>	<u>546,612</u>	<u>(231,302)</u>

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

CLAIBORNE COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Road Fund  
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 185,072	283,185	283,185	
Road and bridge privilege taxes		24,723	24,723	
Licenses, commissions and other revenue	114,300	117,612	117,612	
Fines and forfeitures	3,000			
Intergovernmental revenues	648,000	1,011,503	1,011,503	
Interest income		5,482	5,482	
Miscellaneous revenues	4,000			
Total Revenues	<u>954,372</u>	<u>1,442,505</u>	<u>1,442,505</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Public works	1,170,000	1,821,970	1,821,970	
Total Expenditures	<u>1,170,000</u>	<u>1,821,970</u>	<u>1,821,970</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(215,628)</u>	<u>(379,465)</u>	<u>(379,465)</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets		23,210	23,210	
Other financing sources	8,000			
Total Other Financing Sources and Uses	<u>8,000</u>	<u>23,210</u>	<u>23,210</u>	<u>0</u>
Net Change in Fund Balance	(207,628)	(356,255)	(356,255)	0
Fund Balances - Beginning	<u>221,120</u>	<u>356,469</u>	<u>356,469</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 13,492</u>	<u>214</u>	<u>214</u>	<u>0</u>

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

CLAIBORNE COUNTY

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2005

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 Schedules - Budget and Actual (Non-GAAP Basis) present 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 schedules are presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedules - Budget and Actual (Non-GAAP Basis) are 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 the major Special Revenue Fund:

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>Road Fund</u>
Budget (Cash Basis)	\$ (651,867)	(356,255)
Increase (Decrease)		
Net adjustment for revenue accruals	183,687	261,267
Net adjustment for expenditure accruals	<u>20,743</u>	<u>137,130</u>
GAAP Basis	<u>\$ (447,437)</u>	<u>42,142</u>

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CLAIBORNE COUNTY

SUPPLEMENTAL INFORMATION

CLAIBORNE COUNTY  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2005

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<b>MAJOR FEDERAL AWARDS</b>			
U.S. Department of Agriculture - Natural Resource Conservation Service			
Watershed protection and flood prevention	10.904	64-4423-3-9650	\$ 472,310
U.S. Department of Health and Human Services			
Consolidated health centers (Note B)	93.224	4H80CS00482	<u>860,744</u>
Total Expenditures of Major Federal Awards			<u>1,333,054</u>
<b>OTHER FEDERAL AWARDS</b>			
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority			
Community development block grants/state's program	14.228	1120-03-011-PF-01	3,500
HOME investment partnerships program	14.239	M01-SG-28-01-0976	<u>10,000</u>
Total U.S. Department of Housing and Urban Development			<u>13,500</u>
U.S. Department of the Interior - Bureau of Land Management			
National fire plan - rural fire assistance	15.242	G5023040041	<u>4,000</u>
U.S. Department of the Interior - National Park Service/ Passed-through the Mississippi Department of Archives and History - Historic Preservation Division			
Historic preservation fund grants-in-aid	15.904	N/A	<u>4,000</u>
U.S. Department of Justice - Office of Justice Programs/ Passed-through the Mississippi Department of Public Safety -			
Byrne formula grant program	16.579	2NC1112	16,768
Local law enforcement block grant program	16.592	3LB1111	<u>2,475</u>
Total U.S. Department of Justice			<u>19,243</u>
U.S. Department of Transportation - Federal Highway Administration/Passed through the Mississippi Department of Transportation-			
Highway planning and construction	20.205	N/A	260,822
Highway planning and construction	20.205	N/A	330
U.S. Department of Transportation - Pipeline and Hazardous Materials Safety Administration/Passed-through the Mississippi Emergency Management Agency			
Interagency hazardous materials public sector training and planning grants	20.703	HMEMS4020120	<u>2,404</u>
Total U.S. Department of Transportation			<u>263,556</u>

CLAIBORNE COUNTY  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2005

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
National Endowment for the Arts - National Foundation on the Arts and the Humanities/Passed-through the Mississippi Arts Commission			
Promotion of the arts partnership agreements	45.025	05-276-CD/PG	1,213
Promotion of the arts partnership agreements	45.025	06-170-CD/PG	<u>3,206</u>
Total National Endowment for the Arts			<u>4,419</u>
U.S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency			
State domestic preparedness equipment support program	97.004	3SSG-1025	9,600
State domestic preparedness equipment support program	97.004	3SSG-3047	77,796
State domestic preparedness equipment support program	97.004	3SUP-32	33,303
Passed-through the Mississippi Department of Public Safety/ Office of Homeland Security			
Disaster grants - public assistance	97.036	1604-DR-MS	71,229
Passed-through the Mississippi Emergency Management Agency			
Emergency management performance grants	97.042	EMA-2004-GR-5004	3,750
Emergency management performance grants	97.042	2005-GE-T5-0005	9,047
Assistance to firefighters grant	97.044	EMW-2004-FG-08511	21,285
Passed-through the Mississippi Emergency Management Agency			
Citizen corps	97.053	CERT	8,152
Passed-through the Mississippi Department of Public Safety/ Office of Homeland Security			
Citizen corps	97.053	04CC013	1,884
Homeland security grant program	97.067	04CS011	<u>10,000</u>
Total U.S. Department of Homeland Security			<u>246,046</u>
Total Expenditures of Other Federal Awards			<u>554,764</u>
Total Expenditures of Federal Awards			<u>\$ 1,887,818</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

Note B - Consolidated Health Centers

Of the federal expenditures presented in the schedule, the county provided federal awards totaling \$860,744 to subrecipients during the year ended September 30, 2005.

CLAIBORNE COUNTY

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CLAIBORNE COUNTY

SPECIAL REPORTS

CLAIBORNE COUNTY

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# State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

## 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  
Claiborne County, Mississippi

We have audited the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Claiborne County, Mississippi, as of and for the year ended September 30, 2005, which collectively comprise the county's basic primary government financial statements and have issued our report thereon dated May 12, 2006. 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 unit. 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 Claiborne 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Claiborne County, Mississippi's ability to initiate, record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05-1, 05-2 and 05-3.

A material weakness is a reportable 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 primary government 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

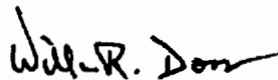
As part of obtaining reasonable assurance about whether Claiborne County, Mississippi's primary government financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which 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*.

However, we noted a certain instance of noncompliance which we have reported to the management of Claiborne County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules dated May 12, 2006, included within this document.

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



PHIL BRYANT  
State Auditor



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

May 12, 2006



# State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

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

Members of the Board of Supervisors  
Claiborne County, Mississippi

### Compliance

We have audited the compliance of Claiborne County, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2005. Claiborne County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Claiborne County, Mississippi's management. Our responsibility is to express an opinion on Claiborne County, Mississippi's compliance based on our audit.

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

In our opinion, Claiborne County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

### Internal Control Over Compliance

The management of Claiborne County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Claiborne County, Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

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



PHIL BRYANT  
State Auditor



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

May 12, 2006



# State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

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

Members of the Board of Supervisors  
Claiborne County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Claiborne County, Mississippi, as of and for the year ended September 30, 2005. 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 Claiborne 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 Claiborne 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.

The results of our audit procedures disclosed a certain instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed below:

Inventory Control Clerk.

### Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. As reported in prior years' audit reports, capital asset control procedures were inadequate for maintaining adequate subsidiary records documenting the valuation of capital assets. The county did not maintain documentation on the dates of purchase and valuation for some county-owned land and buildings. We were unable to determine if values were recorded at historical cost or replacement cost.

Recommendation

The Inventory Control Clerk should establish adequate control procedures to ascertain the historical and/or estimated cost of land and buildings.

Inventory Control Clerk's Response

I am in the process of establishing adequate control procedures to ascertain the historical and/or estimated cost of land and buildings. I will comply with the recommendation.

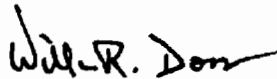
In our opinion, except for the noncompliance referred to in the preceding paragraph, Claiborne County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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 Claiborne 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.



PHIL BRYANT  
State Auditor



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

May 12, 2006

Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2005

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

Our test results did not identify any emergency purchases.

CLAIBORNE COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source

For the Year Ended September 30, 2005

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
12-16-04	Equipment attachments	\$ 13,690	Deviney Equipment
01-04-05	Rebuild engine	14,876	Duraco Industries

CLAIBORNE COUNTY

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CLAIBORNE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CLAIBORNE COUNTY

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CLAIBORNE COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2005

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 weakness identified?   | No          |
|    | b. Reportable conditions identified that are not considered to be material weaknesses? | Yes         |
| 3. | Noncompliance material to the primary government financial statements?                 | No          |

***Federal Awards:***

- |     |  |             |
|-----|--|-------------|
| 4.  | Internal control over major programs:  |             |
|     | a. Material weakness identified?   | No          |
|     | b. Reportable conditions identified that are not considered to be a material weaknesses?   | No          |
| 5.  | Type of auditor's report issued on compliance for major federal programs:  | Unqualified |
| 6.  | Any audit findings reported as required by Section __.510(a) of Circular A-133?  | No          |
| 7.  | Federal programs identified as major programs:   |             |
|     | a. Watershed protection and flood prevention, CFDA #10.904   |             |
|     | b. Consolidated health centers, CFDA #93.224   |             |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:   | \$300,000   |
| 9.  | Auditee qualified as a low-risk auditee?   | No          |
| 10. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No          |

CLAIBORNE COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2005

Section 2: Financial Statement Findings

Inventory Control Clerk.

05-1. Finding

As reported in prior years' audit reports, capital asset control procedures were inadequate for maintaining adequate subsidiary records documenting the valuation of capital assets. The county did not maintain documentation on the dates of purchase and valuation for some county-owned land and buildings. We were unable to determine if values were recorded at historical cost or replacement cost.

Recommendation

The Inventory Control Clerk should establish adequate control procedures to ascertain the historical and/or estimated cost of land and buildings.

Inventory Control Clerk's Response

I am in the process of establishing adequate control procedures to ascertain the historical and/or estimated cost of land and buildings. I will comply with the recommendation.

Chancery Clerk.

05-2. Finding

An effective system of internal control should include proper documentation of journal entries. Some general journal entries were made without sufficient documentation to justify the entries which could result in errors in the financial statements. Adjustments were proposed and made to the financial statements to correct these errors.

Recommendation

The Chancery Clerk should ensure that general journal entries are properly documented to prevent erroneous entries being made to the county's records.

Chancery Clerk's Response

I will comply with the recommendation.

Solid Waste Clerk.

05-3. Finding

An effective system of internal control should include the reconciliation of garbage fee collections posted in the solid waste records with the collections recorded in the general ledger. More garbage revenues were recorded in the general ledger than were posted to the solid waste records. This could indicate that all collections are not posted properly to customer accounts and could lead to erroneous billings to customers.

CLAIBORNE COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2005

Recommendation

The Solid Waste Clerk should establish and maintain procedures to ensure that garbage fee collections shown on solid waste records are reconciled to garbage fee collections recorded in the general ledger.

Solid Waste Clerk's Response

I will work with the Chancery Clerk and obtain copies of the monthly bank statements and will reconcile the solid waste records with the county's general ledger.

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.