

# ATTALA COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports  
For the Year Ended September 30, 2008

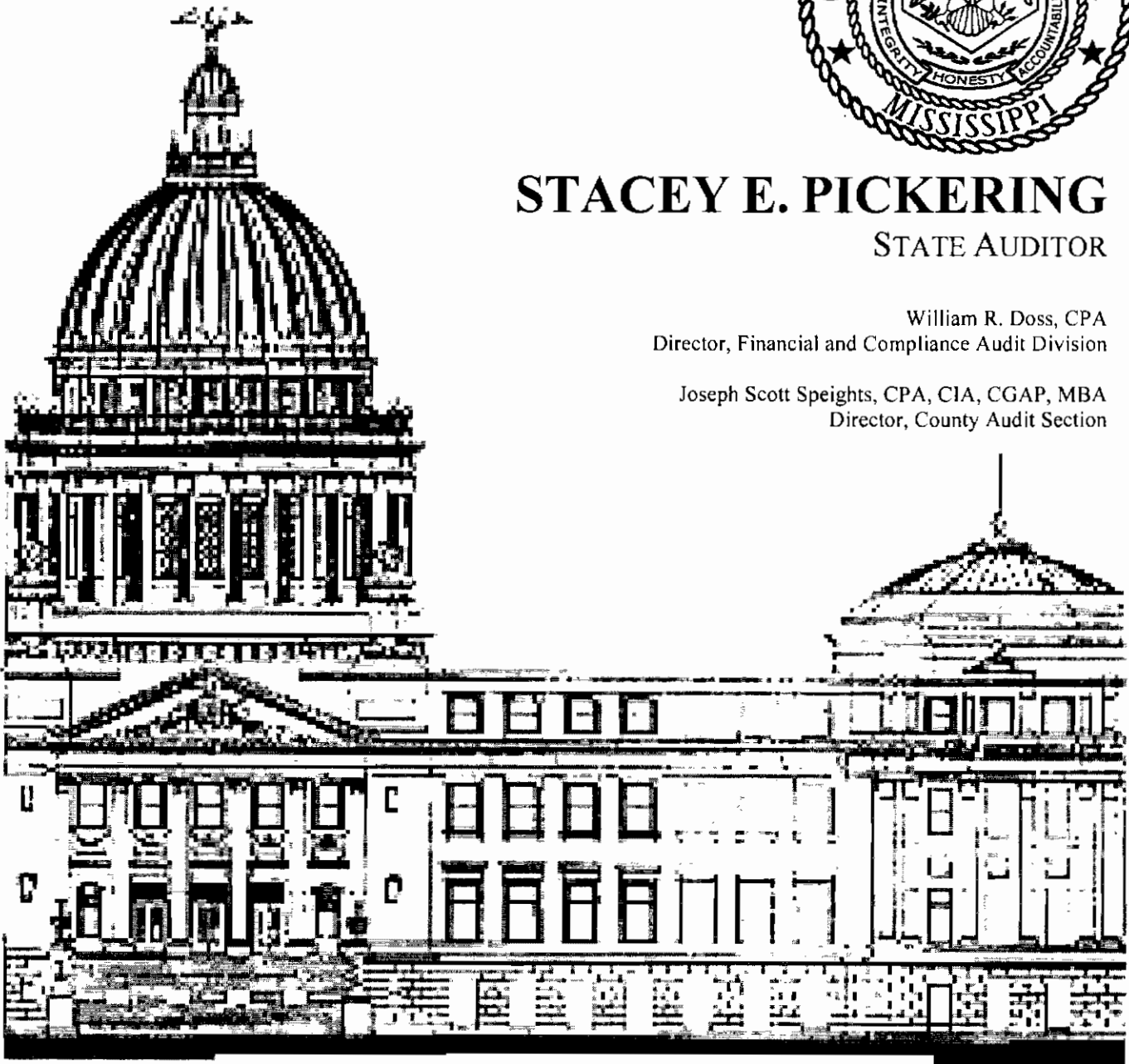


## STACEY E. PICKERING

STATE AUDITOR

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

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



A Report from the County Audit Section

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# State of Mississippi

OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR

July 30, 2010

Members of the Board of Supervisors  
Attala County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2008 financial and compliance audit report for Attala 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 Attala County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Attala County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

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

Stacey E. Pickering  
State Auditor



ATTALA COUNTY

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ATTALA COUNTY

FINANCIAL SECTION

ATTALA 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  
Attala County, Mississippi

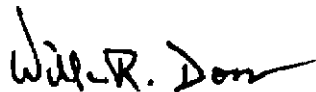
We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Attala County, Mississippi, as of and for the year ended September 30, 2008, which collectively comprise the county's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Montfort Jones Memorial Hospital, a component unit, which represents 100 percent of the assets, net assets, and revenues of the component unit column. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component unit, is based on the report of the other auditor.

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

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Attala County, Mississippi, as of September 30, 2008, 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 July 30, 2010, on our consideration of Attala 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.

The Management's Discussion and Analysis and 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 and the other auditor have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

July 30, 2010

ATTALA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

ATTALA COUNTY

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# Attala County Board of Supervisors

230 West Washington Street  
Kosciusko, Mississippi 39090

Eddie Womble - District One  
Charles Fancher - District Two  
Troy Hodges - District Three

Scott Pickle - Legal Counsel

Kary Ellington - District Four  
Tim Pinkard - District Five  
Gerry Taylor - Clerk of Board

## ATTALA COUNTY, MISSISSIPPI

### MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Attala County, Mississippi financial performance provides an overview of the County's financial activities for the fiscal year ended September 30, 2008. The MD&A should be read in conjunction with the accompanying financial statements and the accompanying notes to those financial statements.

#### FINANCIAL HIGHLIGHTS

- The assets of the County exceeded liabilities at the close of the FY 2008 by \$22,663,349 (net assets). Of this amount, \$4,703,692 is restricted for specific purposes. As required by GASB 34, net assets also reflect \$15,185,932 that is invested in capital assets net of related debt. The county also has unrestricted net assets of \$2,773,725.
- In contrast to the government-wide statements, the fund statements report a combined fund balance at year-end of \$7,289,893; of which \$7,045,862 or 97% represent unreserved fund balances. The more significant components of unreserved fund balance are maintained in the General Fund as emergency reserves.
- The General Fund unreserved fund balance of \$2,565,205 equals 51% of total General Fund expenditures.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

**The Government-wide financial statements.** *The government-wide financial statements* are designed to provide readers with a broad overview of the County's finances in a manner similar to private sector business. They present the financial picture of the County from an economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the County (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by GASB Statement No. 34 in regards to interfund activity, payables and receivables.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Increases or decreases in net assets contrasted with budgetary decisions should serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how net assets changed during the most recent fiscal year using full accrual basis of accounting. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. Unlike the government-wide financial statements, however, governmental funds financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate the comparison between *governmental funds* and *governmental activities*.

The County maintains twenty-nine individual governmental funds, twenty-six special revenue funds, two debt service funds and the General Fund. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund and the State Aid Road Fund which are classified as major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation.

The County adopts an annual appropriated budget as a management control device during the year for all governmental funds. A budgetary comparison schedule (original versus final) has been provided for the General Fund and the State Aid Road Fund to demonstrate compliance with budget.

**Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. The County's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. These activities are excluded from the County's other financial statements since the County cannot use these assets to finance its operations. The accounting used for fiduciary funds is much like that used for proprietary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Of the County's total assets of \$31,276,716, the largest components are: 1) cash of \$7,942,476 or 25% and 2) capital assets net of accumulated depreciation of \$17,659,476 or 56%. Capital assets are non-liquid assets and cannot be utilized to satisfy County obligations. Out of the total liabilities of \$8,613,367 about \$6,520,054 are current liabilities.

The County's assets exceeded liabilities by \$22,663,349 at the close of the most recent fiscal year.

The County's net assets for fiscal years ended September 30, 2008 and 2007 are summarized as follows:

	<b>Governmental Activities 2008</b>	<b>Governmental Activities 2007</b>
Current and other assets	\$ 13,617,240	\$ 13,400,634
Capital assets (net of depreciation)	17,659,476	16,463,988
Total assets	<u>31,276,716</u>	<u>29,864,622</u>
Current and other liabilities	6,520,054	5,790,845
Long-term liabilities	2,093,313	2,136,799
Total Liabilities	<u>8,613,367</u>	<u>7,927,644</u>
Net assets:		
Invested in capital assets, net of related debt	15,185,932	13,987,537
Restricted	4,703,692	5,077,728
Unrestricted	<u>2,773,725</u>	<u>2,871,713</u>
Total net assets	<u>\$ 22,663,349</u>	<u>\$ 21,936,978</u>

About 21% or \$4,703,692 of the County's net assets represents *restricted net assets* which are resources that are subject to external restrictions on how they may be used. Restrictions include statutory requirements, bond covenants, and granting conditions. The most significant portion, \$15,185,932, of the County's net assets reflects its *investment in capital assets*, (e.g. land, infrastructure, buildings, machinery, and equipment) net of related debt.

Governmental activities increased the County's net assets by \$726,371. The key components of this change are the following:

#### Attala County's Changes in Net Assets

	<b>Governmental Activities 2008</b>	<b>Governmental Activities 2007</b>
Revenues:		
Net program revenues:		
Charges for services	\$ 693,246	\$ 798,185
Operating grants and contributions	833,827	1,282,745
Capital grants and contributions	1,238,209	744,083
General revenues:		
Property taxes	5,135,802	5,128,324
Road and bridge privilege taxes	233,155	230,520
Grants and contributions not restricted	377,676	373,007
Unrestricted investments earnings	229,694	360,281
Gain on sale of capital assets	53,924	
Miscellaneous	693,660	517,348
Total revenues	<u>9,489,193</u>	<u>9,434,493</u>

	<b>Governmental Activities 2008</b>	<b>Governmental Activities 2007</b>
<b>Expenses:</b>		
General government	3,289,722	2,779,013
Public safety	1,601,471	1,653,132
Public works	3,028,836	2,926,996
Health and welfare	293,916	311,563
Culture and recreation	130,906	132,922
Conservation of natural resources	123,263	112,004
Economic development and assistance	169,261	502,381
Interest on long-term debt	125,447	135,444
<b>Total expenses</b>	<b><u>8,762,822</u></b>	<b><u>8,553,455</u></b>
Change in net assets	726,371	881,038
Net assets - beginning	<u>21,936,978</u>	<u>21,055,940</u>
Net assets - ending	<b>\$ <u>22,663,349</u></b>	<b>\$ <u>21,936,978</u></b>

Key elements of the analysis of the government-wide revenues and expenses reflect the following:

- Program revenues of \$2,765,282 equaled 32% of government expenses of \$8,762,822. As expected, general revenues (\$6,723,911) provided the required support and coverage for expenses.

The following table presents the cost of eight major county functional activities. General government, public safety, public works, health and welfare, culture and recreation, conservation of natural resources, economic development and assistance, and interest on long-term debt. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the County's taxpayers by each of these functions.

	<b>Total Expenses</b>	<b>Net(Expense) Revenue</b>
<b>FYE September 30, 2008:</b>		
General government	\$ 3,289,722	\$ (2,956,223)
Public safety	1,601,471	(1,175,846)
Public works	3,028,836	(1,057,352)
Health and welfare	293,916	(259,424)
Culture and recreation	130,906	(130,906)
Conservation of natural resources	123,263	(123,263)
Economic development and assistance	169,261	(169,079)
Interest on long-term liabilities	125,447	(125,447)
<b>Total expenses</b>	<b>\$ <u>8,762,822</u></b>	<b>\$ <u>(5,997,540)</u></b>
<b>FYE September 30, 2007:</b>		
General government	\$ 2,779,013	\$ (2,266,722)
Public safety	1,653,132	(1,302,444)
Public works	2,926,996	(1,486,150)
Health and welfare	311,563	(277,733)
Culture and recreation	132,922	(132,922)
Conservation of natural resources	112,004	(112,004)
Economic development and assistance	502,381	(15,023)
Interest on long-term liabilities	135,444	(135,444)
<b>Total expenses</b>	<b>\$ <u>8,553,455</u></b>	<b>\$ <u>(5,728,442)</u></b>

## FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

As noted earlier, the County uses *fund accounting* to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting and budget controls have been the framework of the County's strong fiscal management and accountability.

**Governmental funds.** The general government functions are reported in the General, Special Revenue and Debt Service Funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's annual financing and budgeting requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$7,289,893, a decrease of \$310,264 in comparison with the prior year. Approximately \$7,045,862 or 97% of the fund balance represents *unreserved fund balance*, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed; 1) to pay debt service \$197,253; and 2) a variety of other restricted purposes \$46,778.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$2,565,205. As a measure of the General Fund's liquidity we compare the unreserved fund balance to total fund expenditures. Unreserved fund balance represents 51% of total fund expenditures.

The fund balance of the County's General Fund increased by \$64,159 during the current fiscal year.

The following table presents expenditures by function compared to prior year amounts.

### Expenditures by Function - Governmental Funds

	FY 2008	FY 2007	Increase (Decrease)	Percentage Change
<u>Expenditures by Function</u>				
General government	\$ 3,310,977	2,785,959	525,018	19%
Public safety	1,708,213	1,613,256	94,957	6%
Public works	4,275,498	3,649,972	625,526	17%
Health and welfare	247,643	265,290	(17,647)	(7%)
Culture and recreation	111,478	102,934	8,544	8%
Conservation of natural resources	123,263	112,004	11,259	10%
Economic development and assistance	106,703	594,410	(487,707)	(82%)
Debt service - principal	345,099	289,433	55,666	19%
Debt service - interest/fiscal fees	125,835	130,710	(4,875)	4%
Total	\$ 10,354,709	9,543,968	810,741	8%

Overall, total expenditures increased by 8%. The primary increases occurred in public works expenditures (17%) and general government expenditures (19%). There was an 82% decrease in economic development expenditures.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the county revised the annual operating budget.

A schedule showing the original and final budget amounts compared to the county's actual financial activity for the General Fund and each major special revenue fund is provided in this report as required supplementary information.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital assets.** As of September 30, 2008, the county's total gross capital assets were \$27,111,881, including land, construction in progress, infrastructure, buildings, mobile equipment, leased property under capital leases, and furniture and equipment. This amount represents an increase of \$1,815,655 from the previous year. The increase is primarily due to an increase in infrastructure associated with state aid road projects. Total accumulated depreciation as of September 30, 2008, was \$9,452,405, and total depreciation expense for the year was \$797,348, resulting in total net capital assets of \$17,659,476.

Additional information on the county's capital assets can be found in the notes to the financial statements.

**Debt Administration.** At September 30, 2008, the county had \$2,473,544 in general obligation bonds and other long-term debt outstanding, of which \$380,231 is due within one year.

Additional information on the county's long-term debt can be found in the notes to the financial statements.

## **CURRENT ISSUES**

Attala County is financially stable. The county is proud of its community support.

The county has committed itself to financial excellence for many years. The county millage has not increased since 1994. In addition, the county system of financial planning, budgeting and internal financial controls are well regarded. The county plans to continue its sound fiscal management to meet the challenges of the future.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Clerk of the Board of Supervisors – Attala County, 230 West Washington, Kosciusko, MS 39090.

ATTALA COUNTY

FINANCIAL STATEMENTS

ATTALA COUNTY

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ATTALA COUNTY  
Statement of Net Assets  
September 30, 2008

Exhibit I

	<u>Primary Government</u> Governmental Activities	<u>Component Unit</u> Montfort Jones Memorial Hospital
<b>ASSETS</b>		
Cash	\$ 7,942,476	3,105,082
Property tax receivable	5,252,147	
Accounts receivable (net of allowance for uncollectibles of \$4,302,360)		4,984,828
Fines receivable (net of allowance for uncollectibles of \$564,985)	186,731	
Intergovernmental receivables	163,750	
Other receivables	51,000	5,026,302
Deferred charge	21,136	
Inventories		190,068
Restricted assets		12,194,210
Capital assets:		
Land and construction in progress	2,035,329	245,274
Other capital assets, net	15,624,147	3,860,083
Total Assets	<u>31,276,716</u>	<u>29,605,847</u>
<b>LIABILITIES</b>		
Claims payable	575,068	1,219,464
Intergovernmental payables	231,738	73,097
Accrued interest payable	20,343	
Deferred revenue	5,252,147	
Other payables	60,527	435,516
Long-term liabilities		
Due within one year:		
Capital debt	380,231	
Due in more than one year:		
Capital debt	2,093,313	
Total Liabilities	<u>8,613,367</u>	<u>1,728,077</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	15,185,932	4,105,357
Restricted:		
Expendable:		
General government	798,134	
Debt service	198,046	
Public safety	200,577	
Public works	3,470,101	
Health and welfare	11,006	
Economic development	839	
Unemployment compensation	24,989	
Unrestricted	2,773,725	23,772,413
Total Net Assets	<u>\$ 22,663,349</u>	<u>27,877,770</u>

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

ATTALA COUNTY  
Statement of Activities  
For the Year Ended September 30, 2008

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Montford Jones Memorial Hospital
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 3,289,722	333,499			(2,956,223)	
Public safety	1,601,471	354,925	70,700		(1,175,846)	
Public works	3,028,836	4,822	728,453	1,238,209	(1,057,352)	
Health and welfare	293,916		34,492		(259,424)	
Culture and recreation	130,906				(130,906)	
Conservation of natural resources	123,263				(123,263)	
Economic development and assistance	169,261		182		(169,079)	
Interest on long-term debt	125,447				(125,447)	
Total Governmental Activities	8,762,822	693,246	833,827	1,238,209	(5,997,540)	0
Total Primary Government	\$ 8,762,822	693,246	833,827	1,238,209	(5,997,540)	0
<b>Component unit:</b>						
Montford Jones Memorial Hospital	\$ 14,839,495	25,614,507				10,775,012
Total Component Unit	\$ 14,839,495	25,614,507	0	0	0	10,775,012
<b>General revenues:</b>						
Property taxes					\$ 5,135,802	
Road & bridge privilege taxes					233,155	
Grants and contributions not restricted to specific programs					377,676	57,924
Unrestricted interest income					229,694	(43,193)
Unrestricted investment income					53,924	
Gain on sale of capital assets					693,660	111,300
Miscellaneous					6,723,911	126,031
Total General Revenues					726,371	10,901,043
Changes in Net Assets					21,936,978	16,976,727
Net Assets - Beginning						
Net Assets - Ending					\$ 22,663,349	27,877,770

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

ATTALA COUNTY  
 Balance Sheet - Governmental Funds  
 September 30, 2008

Exhibit 3

	Major Funds			Total Governmental Funds
	General Fund	State Aid Road Fund	Other Governmental Funds	
<b>ASSETS</b>				
Cash	\$ 2,905,251	94,599	4,942,626	7,942,476
Property tax receivable	3,811,102		1,441,045	5,252,147
Fines receivable (net of allowance for uncollectibles of \$564,985)	186,731			186,731
Intergovernmental receivables	138,464		25,286	163,750
Other receivables	12,264		38,736	51,000
Due from other funds			38,415	38,415
Advances to other funds	21,789			21,789
<b>Total Assets</b>	<b>\$ 7,075,601</b>	<b>94,599</b>	<b>6,486,108</b>	<b>13,656,308</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Claims payable	\$ 160,094	94,599	320,375	575,068
Intergovernmental payables	231,738			231,738
Due to other funds	38,415			38,415
Advances from other funds			21,789	21,789
Deferred revenue	3,997,833		1,441,045	5,438,878
Other payables	60,527			60,527
<b>Total Liabilities</b>	<b>4,488,607</b>	<b>94,599</b>	<b>1,783,209</b>	<b>6,366,415</b>
Fund balances:				
Reserved for:				
Debt service			197,253	197,253
Advances	21,789			21,789
Unemployment compensation			24,989	24,989
Unreserved - undesignated, reported in:				
General Fund	2,565,205			2,565,205
Special Revenue Funds			4,480,657	4,480,657
<b>Total Fund Balances</b>	<b>2,586,994</b>	<b>0</b>	<b>4,702,899</b>	<b>7,289,893</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,075,601</b>	<b>94,599</b>	<b>6,486,108</b>	<b>13,656,308</b>

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

ATTALA COUNTY  
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
 September 30, 2008

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 7,289,893
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$9,452,405.	17,659,476
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Fines receivable	186,731
Unamortized bond issue costs	21,136
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(2,473,544)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(20,343)</u>
Total Net Assets - Governmental Activities	\$ <u><u>22,663,349</u></u>

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

## ATTALA COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2008

	Major Funds			Total Governmental Funds
	General Fund	State Aid Road Fund	Other Governmental Funds	
<b>REVENUES</b>				
Property taxes	\$ 3,468,660		1,667,142	5,135,802
Road and bridge privilege taxes	22		233,133	233,155
Licenses, commissions and other revenue	280,026		5,887	285,913
Fines and forfeitures	248,286		9,811	258,097
Intergovernmental revenues	487,452	1,261,739	700,521	2,449,712
Charges for services	125,230		186,154	311,384
Interest income	90,655		139,039	229,694
Miscellaneous revenues	472,896		220,764	693,660
Total Revenues	<u>5,173,227</u>	<u>1,261,739</u>	<u>3,162,451</u>	<u>9,597,417</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,747,430		563,547	3,310,977
Public safety	1,481,239		226,974	1,708,213
Public works	153,014	1,261,739	2,860,745	4,275,498
Health and welfare	247,643			247,643
Culture and recreation	111,478			111,478
Conservation of natural resources	123,263			123,263
Economic development and assistance	106,268		435	106,703
Debt service:				
Principal	59,905		285,194	345,099
Interest	3,828		122,007	125,835
Total Expenditures	<u>5,034,068</u>	<u>1,261,739</u>	<u>4,058,902</u>	<u>10,354,709</u>
Excess of Revenues over (under) Expenditures	<u>139,159</u>	<u>0</u>	<u>(896,451)</u>	<u>(757,292)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued			342,192	342,192
Proceeds from sale of capital assets			104,836	104,836
Transfers in			75,000	75,000
Transfers out	(75,000)			(75,000)
Total Other Financing Sources and Uses	<u>(75,000)</u>	<u>0</u>	<u>522,028</u>	<u>447,028</u>
Net Changes in Fund Balances	64,159	0	(374,423)	(310,264)
Fund Balances - Beginning	<u>2,522,835</u>	<u>0</u>	<u>5,077,322</u>	<u>7,600,157</u>
Fund Balances - Ending	<u>\$ 2,586,994</u>	<u>0</u>	<u>4,702,899</u>	<u>7,289,893</u>

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

ATTALA COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2008

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (310,264)
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 \$2,044,308 exceeded depreciation of \$797,348 in the current period.	1,246,960
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net gain of \$53,364 and the proceeds from the sale of \$104,836 in the current period.	(51,472)
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.	(162,148)
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 \$345,099 exceeded debt proceeds of \$342,192.	2,907
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:	
Interest payable on long-term debt	2,309
Unamortized bond issue costs	<u>(1,921)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>726,371</u></u>

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

ATTALA COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2008

Exhibit 5

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 110,029
Total Assets	\$ <u>110,029</u>
<b>LIABILITIES</b>	
Intergovernmental payables	\$ 110,029
Total Liabilities	\$ <u>110,029</u>

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

ATTALA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2008

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Attala 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 Attala County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

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

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

B. Individual Component Unit Disclosure.

Discretely Presented Component Unit

The component unit column in the financial statements includes the financial data of the following component unit of the county. It is reported in a separate column to emphasize that it is legally separate from the county. All of the members of the governing body of this component unit are appointed by the county Board of Supervisors.

Montfort Jones Memorial Hospital is a 71-bed acute care hospital located in Kosciusko, Mississippi. The hospital provides healthcare services primarily to residents of the region.

The discretely presented component unit is audited by an independent auditor, and its financial statements are issued under separate cover. The audited financial statements are available from Montfort Jones Memorial Hospital.

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 and its component unit. 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. The primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

## ATTALA COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2008

The Statement of Net Assets presents the financial condition of the governmental activities and the discretely presented component unit of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities and the discretely presented component unit. 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 (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

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.

State Aid Road Fund - This fund is used to account for all state aid road activities of the county.

## ATTALA COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2008

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." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

ATTALA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2008

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. Attala 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 and estimated useful lives:

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 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 on the Statement of Net Assets. Bond issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

ATTALA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2008

K. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved with unreserved classified as designated and undesignated.

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

L. Property Tax Revenues.

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

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

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

M. Intergovernmental Revenues in Governmental Funds.

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

ATTALA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2008

(2) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2008, was \$8,052,505, and the bank balance was \$8,454,727. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

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

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2008:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	General	\$ <u>38,415</u>

The receivables represent the tax revenue collected but not settled until October, 2008. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other Governmental Funds	\$ <u>21,789</u>

The amount payable to the General Fund represents an amount transferred in a previous year to the Reappraisal Maintenance Fund to alleviate a cash deficit.

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ <u>75,000</u>

The principal purposes of the transfers from the General Fund to Other Governmental Funds was for operating costs. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

ATTALA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2008

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2008, consisted of the following:

Description	Amount
Governmental Activities:	
Amount due from State of MS - Legislative tax credit	\$ 97,945
Amount due from MS Department of Health and Human Services	2,722
Amount due from MS Department of Transportation - Litter control program	1,546
Amount due from MS Department of Corrections - Housing state inmates	23,980
Amount due from State of MS - Heavy truck tags	11,085
Amount due from State of MS - Gas tax	25,155
Miscellaneous	1,317
Total Governmental Activities	<u>\$ 163,750</u>

(5) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2008:

Governmental activities:

	Balance Oct. 1, 2007	Additions	Deletions	Adjustments *	Balance Sept. 30, 2008
<u>Non-depreciable capital assets:</u>					
Land	\$ 896,826	547	560		896,813
Construction in progress	1,139,117	1,251,734		(1,252,335)	1,138,516
Total non-depreciable capital assets	<u>2,035,943</u>	<u>1,252,281</u>	<u>560</u>	<u>(1,252,335)</u>	<u>2,035,329</u>
<u>Depreciable capital assets:</u>					
Infrastructure	7,723,494			1,252,335	8,975,829
Buildings	8,484,107				8,484,107
Mobile equipment	5,868,243	286,677	228,093	256,716	6,183,543
Furniture and equipment	98,427	60,608			159,035
Leased property under capital leases	1,086,012	444,742		(256,716)	1,274,038
Total depreciable capital assets	<u>23,260,283</u>	<u>792,027</u>	<u>228,093</u>	<u>1,252,335</u>	<u>25,076,552</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	768,167	221,855			990,022
Buildings	3,361,516	147,280			3,508,796
Mobile equipment	4,371,795	307,085	177,181	73,602	4,575,301
Furniture and equipment	90,039	12,743			102,782
Leased property under capital leases	240,721	108,385		(73,602)	275,504
Total accumulated Depreciation	<u>8,832,238</u>	<u>797,348</u>	<u>177,181</u>	<u>0</u>	<u>9,452,405</u>
Total depreciable capital assets, net	<u>14,428,045</u>	<u>(5,321)</u>	<u>50,912</u>	<u>1,252,335</u>	<u>15,624,147</u>
Governmental activities capital assets, net	<u>\$ 16,463,988</u>	<u>1,246,960</u>	<u>51,472</u>	<u>0</u>	<u>17,659,476</u>

ATTALA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2008

Discretely Presented Component Unit:  
Montfort Jones Memorial Hospital

	Balance Oct. 1, 2007	Additions	Deletions	Adjustments	Balance Sept. 30, 2008
<u>Non-depreciable capital assets:</u>					
Land	\$ 245,274				245,274
Construction in progress	13,801		13,801		0
Total non-depreciable capital assets	<u>259,075</u>	<u>0</u>	<u>13,801</u>	<u>0</u>	<u>245,274</u>
<u>Depreciable capital assets:</u>					
Land improvements	158,080				158,080
Buildings	3,157,286				3,157,286
Fixed equipment	948,546				948,546
Major movable equipment	4,170,606	2,128,099	684,375		5,614,330
Total depreciable capital assets	<u>8,434,518</u>	<u>2,128,099</u>	<u>684,375</u>	<u>0</u>	<u>9,878,242</u>
<u>Less accumulated depreciation for:</u>					
Land improvements	126,006	15,309			141,315
Buildings	1,957,046	158,914			2,115,960
Fixed equipment	579,050	26,147			605,197
Major movable equipment	3,573,542	262,015	679,870		3,155,687
Total accumulated Depreciation	<u>6,235,644</u>	<u>462,385</u>	<u>679,870</u>	<u>0</u>	<u>6,018,159</u>
Total depreciable capital assets, net	<u>2,198,874</u>	<u>1,665,714</u>	<u>4,505</u>	<u>0</u>	<u>3,860,083</u>
Montfort Jones Memorial Hospital capital assets, net	<u>\$ 2,457,949</u>	<u>1,665,714</u>	<u>18,306</u>	<u>0</u>	<u>4,105,357</u>

\* Adjustments represent reclassifications from construction in progress to infrastructure and reclassification of leased property under capital lease to mobile equipment along with related accumulated depreciation.

Depreciation expense was charged to the following functions:

	Amount
<u>Governmental Activities:</u>	
General government	\$ 26,666
Public safety	121,626
Public works	520,797
Health and welfare	46,273
Culture and recreation	19,428
Economic development	62,558
Total governmental activities depreciation expense	<u>\$ 797,348</u>

ATTALA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2008

Commitments with respect to unfinished capital projects at September 30, 2008, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
State Aid Project # LSBP-04 (11)	\$ 43,163	September 30, 2009
State Aid Project # SAP-04 (48)	166,775	September 30, 2009
State Aid Project # BR-04 (16)B	1,802,297	September 30, 2009
State Aid Project # SAP-04 (58)	74,726	September 30, 2009

(6) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2008, to January 1, 2009. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(7) Operating Leases.

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$549,166 for the year ended September 30, 2008. The future minimum lease receivables for these leases are as follows:

Year Ended September 30	Amount
2009	\$ 390,446
2010	387,946
2011	387,946
2012	387,946
2013	387,946
2014 - 2018	1,129,104
2019 - 2023	465,862
2024 - 2028	124,230
Total Minimum Payments Required	\$ <u>3,661,426</u>

ATTALA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2008

(8) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2008:

Classes of Property	Governmental Activities
Mobile equipment	\$ 1,204,276
Furniture and equipment	<u>69,762</u>
Total	1,274,038
Less: Accumulated depreciation	<u>275,504</u>
Leased Property Under Capital Leases	<u>\$ 998,534</u>

The following is a schedule by years of the total payments due as of September 30, 2008:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2009	\$ 220,231	25,088
2010	168,308	17,443
2011	129,994	11,655
2012	161,240	5,311
2013	<u>38,771</u>	<u>945</u>
Total	<u>\$ 718,544</u>	<u>60,442</u>

(9) Long-term Debt.

Debt outstanding as of September 30, 2008, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Industrial Park (Garan building)	\$ 125,000	7.50-7.70%	09/01/2010
Series 2005 Industrial Bonds (Jack Post property)	<u>1,630,000</u>	4.87-5.50%	02/01/2020
Total General Obligation Bonds	<u>\$ 1,755,000</u>		

ATTALA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2008

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>B. Capital Leases:</b>			
2006 Caterpillar grader	\$ 160,500	4.375%	01/10/2012
2006 Caterpillar grader	114,626	4.25%	01/10/2012
2006 Caterpillar grader	40,000	4.25%	01/10/2012
IBM computer	17,679	3.05%	06/10/2009
2008 International fire truck	121,045	3.45%	07/10/2011
Fire truck	48,000	3.25%	01/10/2010
2008 Case 580M backhoe	55,581	3.55%	01/10/2011
140H Caterpillar motor grader	154,450	3.26%	01/10/2011
Ingersoll Rand roller - Model PT125	6,663	4.10%	01/10/2009
<b>Total Capital Leases</b>	<b>\$ 718,544</b>		

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	
	Principal	Interest
2009	\$ 160,000	92,229
2010	170,000	82,352
2011	110,000	71,704
2012	115,000	65,798
2013	125,000	59,497
2014 - 2018	725,000	193,913
2019 - 2023	350,000	19,440
<b>Total</b>	<b>\$ 1,755,000</b>	<b>584,933</b>

**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, 2008, the amount of outstanding debt was equal to 1.12% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2008:

	Balance Oct. 1, 2007	Additions	Reductions	Adjustments	Balance Sept. 30, 2008	Amount due within one year
<b>Governmental Activities:</b>						
General obligation bonds	\$ 1,905,000		150,000		1,755,000	160,000
Capital leases	571,451	342,192	195,099		718,544	220,231
<b>Total</b>	<b>\$ 2,476,451</b>	<b>342,192</b>	<b>345,099</b>	<b>0</b>	<b>2,473,544</b>	<b>380,231</b>

## ATTALA COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2008

(10) 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.

(11) Joint Venture.

The county participates in the following joint venture:

Attala County is a participant with the City of Kosciusko in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the Attala County Airport Commission. The joint venture was created to manage, control and operate the Attala County Airport and is governed by a five-member board of commissioners appointed as follows: Attala County, two; City of Kosciusko, two; rotation, one. The county appropriated \$12,052 from the General Fund to the joint venture in fiscal year 2008. Financial statements are not available for the Attala County Airport Commission.

(12) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Holmes Community College operated in a district composed of the Counties of Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Webster and Yazoo. The Attala County Board of Supervisors appoints one of the 22 members of the college board of trustees. The county appropriated \$502,043 for maintenance and support of the college in fiscal year 2008.

Mid-Mississippi Regional Library System operates in a district composed of the Counties of Attala, Holmes, Leake, Montgomery and Winston. The Attala County Board of Supervisors appoints one of the five members of the library board of directors. The county appropriated \$206,640 for maintenance and support of the library in fiscal year 2008.

Region Six Mental Health/Mental Retardation Center Life Help operates in a district composed of the Counties of Attala, Carroll, Grenada, Holmes, Humphreys, Leflore, Montgomery and Sunflower. The Attala County Board of Supervisors appoints one of the eight members of the board of commissioners. The county appropriated \$50,000 for maintenance and support of the center in fiscal year 2008.

Central Mississippi Emergency Medical Services District operates in a district composed of the counties of Attala, Clarke, Copiah, Holmes, Lauderdale, Leake, Madison, Rankin, Scott, Smith, Warren and Yazoo. The Attala County Board of Supervisors appoints two of the 26 members of the board of commissioners. The county did not provide any support for the district in fiscal year 2008.

North Central Planning and Development District operates in a district composed of the counties of Attala, Carroll, Grenada, Holmes, Leflore, Montgomery and Yalobusha. The Attala County Board of Supervisors appoints four of the 28 members of the board of directors. The county appropriated \$32,518 for support of the district in fiscal year 2008.

ATTALA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2008

(13) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2008 was 11.85% 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, 2008, 2007 and 2006 were \$342,198, \$313,323 and \$284,407, respectively, equal to the required contributions for each year.

(14) Subsequent Events.

Subsequent to September 30, 2008, Attala 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>
10/08/2008	3.45%	\$	177,000	Capital lease	Ad valorem taxes
04/06/2009	3.00%		60,000	Capital lease	Ad valorem taxes
10/28/2009	2.85%		80,266	Capital lease	Ad valorem taxes
06/07/2010	4.50%		90,634	Capital lease	Ad valorem taxes

ATTALA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

ATTALA COUNTY

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ATTALA COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2008

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 3,635,319	3,471,322	3,468,997	(2,325)
Licenses, commissions and other revenue	273,745	282,621	282,621	
Fines and forfeitures	239,000	255,509	255,509	
Intergovernmental revenues	497,764	488,944	488,944	
Charges for services	80,000	107,450	107,450	
Interest income	135,000	96,596	92,318	(4,278)
Miscellaneous revenues	241,625	372,159	372,159	
Total Revenues	<u>5,102,453</u>	<u>5,074,601</u>	<u>5,067,998</u>	<u>(6,603)</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,710,386	2,884,900	2,722,090	162,810
Public safety	1,433,938	1,537,000	1,479,045	57,955
Public works	187,131	175,131	155,015	20,116
Health and welfare	293,800	294,478	241,795	52,683
Culture and recreation	113,333	113,333	111,668	1,665
Conservation of natural resources	112,183	124,714	124,479	235
Economic development and assistance	131,682	131,682	102,518	29,164
Debt service:				
Principal			59,538	(59,538)
Interest			4,195	(4,195)
Total Expenditures	<u>4,982,453</u>	<u>5,261,238</u>	<u>5,000,343</u>	<u>260,895</u>
Excess of Revenues over (under) Expenditures	<u>120,000</u>	<u>(186,637)</u>	<u>67,655</u>	<u>254,292</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		100,000	100,000	
Transfers out	(152,000)	(152,000)	(75,000)	77,000
Total Other Financing Sources and Uses	<u>(152,000)</u>	<u>(52,000)</u>	<u>25,000</u>	<u>77,000</u>
Net Change in Fund Balance	(32,000)	(238,637)	92,655	331,292
Fund Balances - Beginning	1,600,000	1,575,000	2,505,313	930,313
Fund Balances - Ending	<u>\$ 1,568,000</u>	<u>1,336,363</u>	<u>2,597,968</u>	<u>1,261,605</u>

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

ATTALA COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 State Aid Road Fund  
 For the Year Ended September 30, 2008

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenues	\$ 50,000	255,414	255,414	
Total Revenues	<u>50,000</u>	<u>255,414</u>	<u>255,414</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Public works	50,000	185,395	185,395	
Total Expenditures	<u>50,000</u>	<u>185,395</u>	<u>185,395</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>70,019</u>	<u>70,019</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		13,050	13,050	
Total Other Financing Sources and Uses	<u>0</u>	<u>13,050</u>	<u>13,050</u>	<u>0</u>
Net Change in Fund Balance	0	83,069	83,069	0
Fund Balances - Beginning		1,000	11,530	10,530
Fund Balances - Ending	<u>\$ 0</u>	<u>84,069</u>	<u>94,599</u>	<u>10,530</u>

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

ATTALA COUNTY

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2008

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>State Aid Road Fund</u>
Budget (Cash Basis)	\$ 92,655	83,069
Increase (Decrease)		
Net adjustments for revenue accruals	5,229	
Net adjustments for expenditure accruals	<u>(33,725)</u>	<u>(83,069)</u>
GAAP Basis	<u>\$ 64,159</u>	<u>0</u>

ATTALA COUNTY

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ATTALA COUNTY

SPECIAL REPORTS

ATTALA 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  
Attala County, Mississippi

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Attala County, Mississippi, as of and for the year ended September 30, 2008, which collectively comprise the county's basic financial statements and have issued our report thereon dated July 30, 2010. Our report includes a reference to another auditor. 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. Another auditor audited the financial statements of the Montfort Jones Memorial Hospital, as described in our report on Attala County, Mississippi's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting and on compliance and other matters that are reported separately by this auditor.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered Attala County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Responses as 08-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.


Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above as item 08-1 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Attala County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to the management of Attala County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated July 30, 2010, included within this document.

Attala County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit Attala County's response and, accordingly, we express no opinion on it.

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



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

July 30, 2010



## State of Mississippi

OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR

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

Members of the Board of Supervisors  
Attala County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Attala County, Mississippi, as of and for the year ended September 30, 2008. 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.

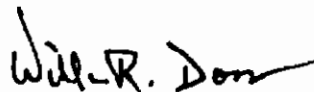
The Board of Supervisors of Attala County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing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

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

In our opinion, Attala 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 Attala County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

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

July 30, 2010

ATTALA COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2008

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

ATTALA COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2008

Schedule 2

Our test results did not identify any emergency purchases.

ATTALA COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2008

<u>Date</u>	<u>Item Purchased</u>		<u>Amount Paid</u>	<u>Vendor</u>
09/19/2008	Taser	\$	8,355	Barney's Police & Hunting Supply

ATTALA 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  
Attala County, Mississippi

In planning and performing our audit of the financial statements of Attala County, Mississippi for the year ended September 30, 2008, we considered Attala 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 Attala County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated July 30, 2010, on the financial statements of Attala 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 areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Circuit Clerk.

1. Finding

An effective system of internal control over the accounting of revenues should include timely settlements of collections to the proper party. As reported in the prior year's audit report, the Circuit Clerk did not make timely settlements to the Chancery Clerk for several months during the audited fiscal year.

Recommendation

The Circuit Clerk should make monthly settlements of all collections.

Circuit Clerk's Response

I will follow the recommendation made by the State Auditor's Office

2. Finding

Section 9-1-43, Miss. Code Ann. (1972), limits the Circuit Clerk's compensation for her services to \$90,000. All fees received in excess of this amount, less any allowable expenses specified by this statute, are to be deposited into the county General Fund on or before April 15 for the preceding year. The Circuit Clerk earned \$12,076 in excess of allowable salary for the 2008 calendar year and reported on her annual report that she paid this amount to the county treasury. However, \$10,245 of the amount reported as paid to the county treasury during 2008 was for amounts owed in excess of the allowable salary for the 2007 calendar year. Therefore, the Circuit Clerk did not deposit into the county General Fund the full amount earned in excess of the allowable salary cap for the 2008 calendar year as required by law. Failure to deposit the full amount earned in excess of the allowable salary for the 2008 calendar year results in the loss of county funds.

Recommendation

The Circuit Clerk should pay the full amount of money earned in excess of the salary cap to the county General Fund by remitting an additional \$10,245 to the county treasury.

Circuit Clerk's Response

I disagree with the finding. This originated with the 2007 audit. I did as I was told to do by the auditor, the supervisor and the investigator from the State Auditor's Office. I paid the amount of \$10,245 to Attala County at the end of October 2008. I followed the instructions given to me to handle and clear up this situation and now the same finding has been made in the 2008 on something I felt like had been taken care of already with the payment that was made to the county in 2008. I would like to be informed of the correct way to handle this, so that it will not be the same situation again next year.

Auditor's Note

The Circuit Clerk did pay \$10,245 to Attala County for the 2007 audit. However, she then reported this payment as part of her deposit into the General Fund for amounts earned in excess of the allowable salary cap for the 2008 calendar year. This payment was for the 2007 calendar year, not the 2008 year.

This matter has been referred to the Investigative Division of the Office of the State Auditor.

The Mississippi Office of the State Auditor has taken exception to certain costs. The details of the exception and disposition are as follows:

Exception Issued On:

Wanda Fancher, Circuit Clerk

Nature of Exception:

See Circuit Clerk's Finding #2 described in this report.

Amount of Exception:

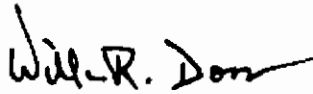
\$10,245

Disposition of Exception:

This matter has been turned over to the Investigative Division of the Office of the State Auditor.

Attala 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.

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

July 30, 2010

ATTALA COUNTY

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ATTALA COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

ATTALA COUNTY

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ATTALA COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2008

**Section 1: Summary of Auditor's Results**

***Financial Statements:***

- |    |  |               |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements:                           | Unqualified   |
| 2. | Internal control over financial reporting:   |               |
| a. | Material weakness identified?  | Yes           |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 3. | Noncompliance material to the financial statements noted?                              | No            |

**Section 2: Financial Statement Findings**

Tax Assessor-Collector.

Significant Deficiency - Material Weakness

08-1. Finding

An effective system of internal control over tax collections should include an adequate separation of duties, the maintenance and reconciliation of records documenting daily collections and adequate physical safeguards over cash collections. Cash collection and disbursement functions were not adequately separated for effective internal control. The following deficiencies were noted:

- a. As reported in the prior year's audit report, the bookkeeper and assistant bookkeeper collected money as well as performed recording disbursing functions.
- b. As reported in the prior year's audit report, the bookkeeper reconciled the bank statement as well as prepared the cash journal, receipted money, prepared deposits, and took deposits to the bank.
- c. The cash journal was not maintained for a seven month period from October 31, 2008 to May 22, 2009.
- d. The bank accounts were not reconciled to the cash journal for a period of seven months from October 31, 2008 to May 22, 2009.
- e. The bookkeeper was unable to reconcile credit card transactions.

Failure to implement adequate controls over the collection, recording and disbursement functions as well as implementing necessary physical safeguards could result in the loss of public funds.

ATTALA COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2008

Recommendation

The Tax Assessor-Collector should ensure that there is an adequate separation of duties in the collecting, recording and settlement functions. Controls should be in place to properly safeguard cash collections. He should also ensure that the cash journal, documenting daily collections and disbursements, is maintained and reconciled to the bank accounts in a timely manner. All credit card and online transactions should be accounted for independently from cash and check transactions.

Tax Assessor-Collector's Response

- a. The bookkeeper no longer collects money.
- b. The separation of duties has been changed.
- c. The cash journal was not maintained for four months (October to February) due to property taxes and land sale being prepared.
- d. The bank account and cash journal have been completed up-to-date.
- e. Credit card transactions cannot be balanced due to last day of month transactions.