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**CARROLL COUNTY**

**AUDITED FINANCIAL STATEMENTS AND SPECIAL REPORTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

CARROLL COUNTY

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CARROLL COUNTY

FINANCIAL SECTION

# Windham and Lacey, PLLC

*Certified Public Accountants*

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Pearl, MS 39208  
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Members:  
American Institute of CPAs  
Mississippi Society of CPAs

## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors  
Carroll County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Carroll County, Mississippi, as of and for the year ended September 30, 2008, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

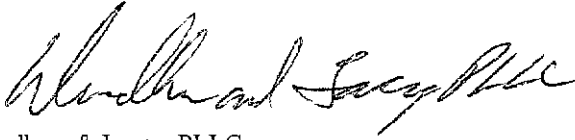
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Carroll County, Mississippi, as of September 30, 2008, and the respective changes in financial position, and, where applicable, cash flows 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 February 3, 2010 on our consideration of Carroll 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.

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

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

A handwritten signature in black ink, appearing to read "Windham & Lacey, PLLC". The signature is written in a cursive, flowing style.

Windham & Lacey, PLLC  
February 3, 2010

CARROLL COUNTY

FINANCIAL STATEMENTS

CARROLL COUNTY  
Statement of Net Assets  
September 30, 2008

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash	\$ 4,168,354	317,199	4,485,553
Investments		2,007,086	2,007,086
Accrued interest receivable		8,894	8,894
Property tax receivable	4,110,110		4,110,110
Accounts receivable (net of allowance for uncollectibles of \$252,817)	139,539		139,539
Fines receivable (net of allowance for uncollectibles of \$619,164)	278,815		278,815
Capital leases receivable	863,452		863,452
Intergovernmental receivables	133,274	290,998	424,272
Other receivables	32,587	5,273	37,860
Special assessments receivable	31,996		31,996
Capital assets:			
Land and construction in progress	334,131		334,131
Other capital assets, net	7,966,083	3,736,892	11,702,975
Total Assets	<u>18,058,341</u>	<u>6,366,342</u>	<u>24,424,683</u>
<b>LIABILITIES</b>			
Claims payable	203,272	106,888	310,160
Intergovernmental payables	59,909		59,909
Amounts held in custody for others	14,860		14,860
Accrued interest payable	10,277	68,270	78,547
Deferred revenue	4,332,453		4,332,453
Long-term liabilities			
Due within one year:			
Capital debt	345,423	305,000	650,423
Non-capital debt	29,064		29,064
Due in more than one year:			
Capital debt	1,021,681	3,585,000	4,606,681
Non-capital debt	646,430	11,035	657,465
Total Liabilities	<u>6,663,369</u>	<u>4,076,193</u>	<u>10,739,562</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	6,933,110	(153,108)	6,780,002
Restricted:			
Expendable:			
General government	912,271		912,271
Debt service	221,125	494,845	715,970
Public safety	689,158	1,948,412	2,637,570
Public works	2,087,040		2,087,040
Capital projects	40,533		40,533
Unrestricted	511,735		511,735
Total Net Assets	<u>\$ 11,394,972</u>	<u>2,290,149</u>	<u>13,685,121</u>

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

CAROLINA 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 Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	\$ 1,772,554	201,263			(1,571,291)		(1,571,291)
Public safety	1,228,779	100,402	11,295	70,703	(1,046,379)		(1,046,379)
Public works	2,679,443	465,809	623,540	294,487	(1,295,607)		(1,295,607)
Health and welfare	100,627		23,804		(76,823)		(76,823)
Culture and recreation	130,763				(130,763)		(130,763)
Conservation of natural resources	82,166				(82,166)		(82,166)
Economic development and assistance	12,606				(12,606)		(12,606)
Interest on long-term debt	85,043				(85,043)		(85,043)
<b>Total Governmental Activities</b>	<b>6,091,981</b>	<b>767,474</b>	<b>658,639</b>	<b>365,190</b>	<b>(4,300,678)</b>	<b>0</b>	<b>(4,300,678)</b>
<b>Business-type activities:</b>							
Regional jail	3,416,029	3,432,228				16,199	16,199
<b>Total Business-type Activities</b>	<b>3,416,029</b>	<b>3,432,228</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16,199</b>	<b>16,199</b>
<b>Total Primary Government</b>	<b>\$ 9,508,010</b>	<b>4,199,702</b>	<b>658,639</b>	<b>365,190</b>	<b>(4,300,678)</b>	<b>16,199</b>	<b>(4,284,479)</b>
<b>General revenues:</b>							
<b>Taxes:</b>							
Property taxes					\$ 4,076,006		4,076,006
Road & bridge privilege taxes					141,685		141,685
Grants & contributions not restricted to specific programs					208,758		208,758
Unrestricted interest income					91,663		91,663
Unrestricted investment income						54,206	54,206
Miscellaneous					162,964		162,964
Transfers					(6,027)		(6,027)
<b>Total General Revenues</b>					<b>4,675,049</b>	<b>137,027</b>	<b>4,812,076</b>
<b>Changes in Net Assets</b>					<b>374,371</b>	<b>153,226</b>	<b>527,597</b>
<b>Net Assets - Beginning</b>					<b>11,020,601</b>	<b>2,136,923</b>	<b>13,157,524</b>
<b>Net Assets - Ending</b>					<b>\$ 11,394,972</b>	<b>2,290,149</b>	<b>13,685,121</b>

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

CARROLL COUNTY  
 Balance Sheet - Governmental Funds  
 September 30, 2008

Exhibit 3

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Bridge Fund	MS Development Authority CAP Anel Bldg 1 & S Fund		
<b>ASSETS</b>					
Cash	\$ 482,858	1,107,516	4,159	2,573,821	4,168,354
Property tax receivable	2,761,385	311,140		1,037,585	4,110,110
Accounts receivable (net of allowance for uncollectibles of \$252,817)				139,539	139,539
Fines receivable (net of allowance for uncollectibles of \$619,164)	278,815				278,815
Capital lease receivable			863,452		863,452
Intergovernmental receivables	84,286	16,208		32,780	133,274
Other receivables	19,538			13,049	32,587
Due from other funds		6,968		29,451	36,419
Special assessments receivable				31,996	31,996
Total Assets	\$ 3,626,882	1,441,832	867,611	3,858,221	9,794,546
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Claims payable	\$ 74,319	33,699		95,254	203,272
Intergovernmental payables	59,909				59,909
Due to other funds	36,419				36,419
Amount held in custody for others	14,860				14,860
Deferred revenue	3,040,200	311,140	863,452	1,209,120	5,423,912
Total Liabilities	3,225,707	344,839	863,452	1,304,374	5,738,372
Fund balances:					
Reserved for:					
Debt service			4,159	232,821	236,980
Unreserved - undesignated, reported in:					
General fund	401,175				401,175
Special revenue funds		1,096,993		2,280,493	3,377,486
Capital project funds				40,533	40,533
Total Fund Balances	401,175	1,096,993	4,159	2,553,847	4,056,174
Total Liabilities and Fund Balances	\$ 3,626,882	1,441,832	867,611	3,858,221	9,794,546

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

CARROLL 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	\$ 4,056,174
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 \$4,839,882.	8,300,214
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	418,354
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(2,042,598)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	673,105
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(10,277)</u>
Total Net Assets - Governmental Activities	<u>\$ 11,394,972</u>

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

CARROLL COUNTY

Exhibit 4

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

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Bridge Fund	MS Development Authority CAP Anel Bldg I & S Fund		
<b>REVENUES</b>					
Property taxes	\$ 2,731,150	360,549		984,307	4,076,006
Road and bridge privilege taxes				141,685	141,685
Licenses, commissions, & other revenue	95,998			942	96,940
Fines and forfeitures	160,776			3,233	164,009
Special assessments				6,768	6,768
Intergovernmental revenues	234,568	256,375		734,876	1,225,819
Charges for services	4,104			541,573	545,677
Interest income	18,225	7,498	20,738	45,202	91,663
Miscellaneous revenues	19,790			148,918	168,708
Total Revenues	<u>3,264,611</u>	<u>624,422</u>	<u>20,738</u>	<u>2,607,504</u>	<u>6,517,275</u>
<b>EXPENDITURES</b>					
Current:					
General government	2,083,722			190,738	2,274,460
Public safety	790,847			392,629	1,183,476
Public works	7,206	490,830		1,661,701	2,159,737
Health and welfare	91,128				91,128
Culture and recreation	121,206			5,900	127,106
Conservation of natural resources	82,166				82,166
Economic development assistance	12,606				12,606
Debt Service:					
Principal	18,722	21,876	29,211	587,143	656,952
Interest	1,344	244	20,738	67,069	89,395
Total Expenditures	<u>3,208,947</u>	<u>512,950</u>	<u>49,949</u>	<u>2,905,180</u>	<u>6,677,026</u>
Excess of Revenue over (under) Expenditures	<u>55,664</u>	<u>111,472</u>	<u>(29,211)</u>	<u>(297,676)</u>	<u>(159,751)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-term capital debt issued	74,319			122,980	197,299
Proceeds from sale of capital assets				93,445	93,445
Transfers in	277			224,750	225,027
Transfers out	(224,750)			(277)	(225,027)
Lease principal payments			29,211		29,211
Total Other Fin. Sources & Uses	<u>(150,154)</u>	<u>0</u>	<u>29,211</u>	<u>440,898</u>	<u>319,955</u>
Net Changes in Fund Balances	(94,490)	111,472	0	143,222	160,204
Fund Balances - Beginning	<u>495,665</u>	<u>985,521</u>	<u>4,159</u>	<u>2,410,625</u>	<u>3,895,970</u>
Fund Balances - Ending	<u>\$ 401,175</u>	<u>1,096,993</u>	<u>4,159</u>	<u>2,553,847</u>	<u>4,056,174</u>

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

CARROLL 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	\$ 160,204
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that depreciation of \$525,070 exceeded capital outlays of \$448,811 in the current period.	(76,259)
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 (\$5,744) and the proceeds from the sale of \$93,445.	(99,189)
In the Statement of Activities, transfers of assets from governmental activities to business-type activities is recorded at book value, whereas in the governmental funds, they are not reported.	(6,027)
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.	(40,101)
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	949
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 reduced 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 \$656,952 exceeded debt proceeds of \$197,299.	459,653
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 the amount of the decrease in accrued interest payable.	4,352

CARROLL COUNTY

Exhibit 4-1 (Continued)

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>
In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the Governmental Funds, both principal and interest payments received increase financial resources. Thus, the change in net assets differs from the change in fund balances by the principal collections on the capital leases.	<u>(29,211)</u>
Change in Net Assets of Governmental Activities (Exhibit 2)	<u>\$ 374,371</u>

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

CARROLL COUNTY  
Statement of Net Assets - Proprietary Fund  
September 30, 2008

Exhibit 5

	Business-type Activities - Enterprise Fund
	<u>CMRCF Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 317,199
Investments	2,007,086
Accrued interest receivable	8,894
Intergovernmental receivables	290,998
Other receivables	5,273
Total Current Assets	<u>2,629,450</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net	<u>3,736,892</u>
Total Noncurrent Assets	<u>3,736,892</u>
Total Assets	<u>\$ 6,366,342</u>
<b>LIABILITIES</b>	
Current liabilities:	
Claims payable	\$ 106,888
Accrued interest payable	68,270
Capital debt:	
Other long-term liabilities	<u>305,000</u>
Total Current Liabilities	<u>480,158</u>
Noncurrent liabilities:	
Capital debt:	
Other long-term liabilities	3,585,000
Non-capital debt:	
Compensated absences payable	<u>11,035</u>
Total Noncurrent Liabilities	<u>3,596,035</u>
Total Liabilities	<u>4,076,193</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	(153,108)
Restricted for:	
Debt service	494,845
Public safety	<u>1,948,412</u>
Total Net Assets	<u>\$ 2,290,149</u>

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

CARROLL COUNTY  
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund  
For the Year Ended September 30, 2008

Exhibit 6

	Business-type Activities - <u>Enterprise Fund</u> CMRCF <u>Fund</u>
Operating Revenues	
Charges for services	\$ 3,432,228
Miscellaneous	78,173
Total Operating Revenues	<u>3,510,401</u>
Operating Expenses	
Personal services	1,940,263
Contractual services	524,472
Materials and supplies	574,444
Depreciation expense	114,738
Indirect administrative cost	49,004
Total Operating Expenses	<u>3,202,921</u>
Operating Income (Loss)	<u>307,480</u>
Nonoperating Revenues (Expenses)	
Interest income	54,206
Interest expense	(213,108)
Loss on sale of capital assets	(1,379)
Transfers	6,027
Net Non-Operating Revenue (Expenses)	<u>(154,254)</u>
Changes in Net Assets	153,226
Net Assets - Beginning	<u>2,136,923</u>
Net Assets - Ending	<u>\$ 2,290,149</u>

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

CARROLL COUNTY  
Statement of Cash Flows - Proprietary Fund  
For the Year Ended September 30, 2008

Exhibit 7

Business-type  
Activities -  
Enterprise Fund  
CMRCF  
Fund

Cash Flows From Operating Activities	
Receipts from customers	\$ 3,504,280
Payments to suppliers	(571,171)
Payments to employees	(1,938,743)
Payments for contractual services	(517,976)
Payments to General Fund for indirect costs	(49,004)
Other operating receipts	76,390
Net Cash Provided (Used) by Operating Activities	<u>503,776</u>
Cash Flows From Capital and Related Financing Activities	
Purchase of capital assets	(35,377)
Proceeds from sale of capital assets	150
Principal paid on long-term debt	(294,177)
Interest paid on debt	(218,038)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(547,442)</u>
Cash Flows From Investing Activities	
Interest on investments	51,284
Net Cash Provided (Used) by Investing Activities	<u>51,284</u>
Net Increase (Decrease) in Cash and Cash Equivalents	7,618
Cash and Cash Equivalents at Beginning of Year	2,316,667
Cash and Cash Equivalents at End of Year	\$ <u><u>2,324,285</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ <u>307,480</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	114,738
Changes in assets and liabilities:	
Increase (decrease) in compensated absences payable	(1,865)
(Increase) decrease in intergovernmental receivables	70,479
(Increase) decrease in other receivables	(211)
Increase (decrease) in claims payable	13,155
Total Adjustments	<u>196,296</u>
Net Cash Provided (Used) by Operating Activities	\$ <u><u>503,776</u></u>

Noncash Capital and Related Financing and Investing Activity:

Carroll County had a decrease in the market value on investments in FHLB of \$4,884.

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

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

Exhibit 8

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	6,775
Total Assets	\$ <u>6,775</u>
<b>LIABILITIES</b>	
Amounts held in custody for others	6,775
Total Liabilities	\$ <u>6,775</u>

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

CARROLL COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Carroll 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 Carroll 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 does not have a significant operational or financial relationship with the county. Accordingly, the financial statements do not include the data of this component unit.

- Carroll County Library System

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 Units

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 following component units' balances and transactions are blended with the balances and transactions of the primary government.

The Carroll County Economic Development District is comprised solely of the five members of the Carroll County Board of Supervisors. Although it is created legally separate from the county under Section 19-5-99, Miss. Code Ann. (1972), the district is reported as if it were part of the primary government because its sole purpose is to enhance and develop the economic development resources of the county.

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.

## CARROLL COUNTY

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

#### Government-wide Financial Statements:

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

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

#### Fund Financial Statements:

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

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

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared 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.

The county's proprietary funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

## CARROLL COUNTY

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

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 is 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.

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

MS Development Authority CAP Anel Bldg I & S 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 for the Anel project.

The county reports the following major Proprietary Fund:

Carroll-Montgomery Regional Correctional Facility (CMRCF) - This fund is used to account for the county's activities of operating the correctional facility.

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.

#### PROPRIETARY FUND TYPES

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

#### FIDUCIARY FUND TYPES

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

CARROLL COUNTY

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

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

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

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

K. Long-term Liabilities.

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

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

L. 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 or regulations of other governments; or law through constitutional provisions or enabling legislation.

## CARROLL COUNTY

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

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.

#### M. 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.

#### N. 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 determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

#### O. Compensated Absences.

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

CARROLL COUNTY

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

(2) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2008, was \$4,492,328 and the bank balance was \$4,863,213. 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 collateral 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.

Investments:

Investments balances at September 30, 2008 are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Treasury tri-party repurchase agreements	Less than One Year	\$ 1,237,327	
Federal Home Loan Bank Bonds	5 Years 10 Months	<u>769,759</u>	AAA
Total		<u>\$ 2,007,086</u>	

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

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

**Custodial Credit Risk - Investments.** Custodial credit risk is the risk that in the event of the failure of the counterparty, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. These investments are uninsured, unregistered and were held by the counterparty in trust accounts on behalf of the county.

**Concentration of Credit Risk.** The county places no limit on the amount the county may invest in any one issuer. More than five percent of the county's investments are in Federal Home Loan Bank Bonds. These investments are 30% of the county's total investment and are reported in the Carroll-Montgomery Regional Correctional Facility Fund.

CARROLL COUNTY

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

(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>
Bridge Fund	General	\$ 6,968
Other Governmental Funds	General	<u>29,451</u>
Total		<u>\$ 36,419</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. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General	Other Governmental Funds	\$ 277
Other Governmental Funds	General	<u>224,750</u>
Total		<u>\$ 225,027</u>

The purpose of interfund transfers was to distribute county escrow funds to each district for operations, and funds for the construction of the ball field and E911 facility. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(4) Intergovernmental Receivables.

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

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tag credit	\$ 69,309
Reimbursement for food stamps	5,744
FEMA grant	8,499
Timber severance tax	398
Garbage fees	2,000
Motor vehicle tax	18,035
Truck & bus privilege tax	10,520
Harvest permits	1,045
Overweight fines	1,180
Waste treatment fees	336
State Aid Roads	<u>16,208</u>
Total Governmental Activities	<u>\$ 133,274</u>

CARROLL COUNTY

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

<u>Description</u>	<u>Amount</u>
Business-type Activities:	
Reimbursement for housing prisoners	\$ 290,998
Total Business-type Activities	<u>\$ 290,998</u>

(5) Capital Assets

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

Governmental Activities:

	Balance <u>Oct. 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments *</u>	Balance <u>Sept.30, 2008</u>
<u>Non-depreciable Capital Assets</u>					
Land	\$ 177,419	8,000			185,419
Construction in progress	1,914,378	233,308		(1,998,974)	148,712
Total Non-depreciable Capital Assets	<u>2,091,797</u>	<u>241,308</u>	<u>0</u>	<u>(1,998,974)</u>	<u>334,131</u>
<u>Depreciable Capital Assets</u>					
Infrastructure	3,882,311			1,433,821	5,316,132
Buildings	895,382			565,153	1,460,535
Mobile equipment	4,673,500	84,212	154,603	386,948	4,990,057
Furniture and equipment	134,416	25,672	7,475		152,613
Leased property under capital leases	1,294,471	97,619	96,990	(408,472)	886,628
Total Depreciable Capital Assets	<u>10,880,080</u>	<u>207,503</u>	<u>259,068</u>	<u>1,977,450</u>	<u>12,805,965</u>
<u>Less Accumulated Depreciation For:</u>					
Infrastructure	224,936	121,505			346,441
Buildings	395,981	27,845			423,826
Mobile equipment	3,388,474	261,355	135,021	171,877	3,686,685
Furniture and equipment	104,174	8,400	7,400		105,174
Leased property under capital leases	376,623	105,965	17,458	(187,374)	277,756
Total Accumulated Depreciation	<u>4,490,188</u>	<u>525,070</u>	<u>159,879</u>	<u>(15,497)</u>	<u>4,839,882</u>
Total Depreciable Capital Assets - Net	<u>6,389,892</u>	<u>(317,567)</u>	<u>99,189</u>	<u>1,992,947</u>	<u>7,966,083</u>
Governmental Activities Capital Assets - Net	<u>\$ 8,481,689</u>	<u>(76,259)</u>	<u>99,189</u>	<u>(6,027)</u>	<u>8,300,214</u>

Business-type Activities:

	Balance <u>Oct. 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments *</u>	Balance <u>Sept.30,2008</u>
<u>Depreciable Capital Assets</u>					
Buildings	\$ 4,575,063				4,575,063
Mobile equipment	112,549	24,773	6,500	59,406	190,228
Furniture and equipment	221,409	10,604	8,790		223,223
Leased property under capital leases	37,882			(37,882)	
Total Depreciable Capital Assets	<u>4,946,903</u>	<u>35,377</u>	<u>15,290</u>	<u>21,524</u>	<u>4,988,514</u>

CARROLL COUNTY

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

	Balance Oct. 1, 2007	Additions	Deletions	Adjustments *	Balance Sept.30,2008
<u>Less Accumulated Depreciation For:</u>					
Buildings	823,511	91,501			915,012
Mobile equipment	85,094	21,873	5,850	42,772	143,889
Furniture and equipment	199,268	1,364	7,911		192,721
Leased property under capital leases	<u>27,275</u>			<u>(27,275)</u>	
Total Accumulated Depreciation	<u>1,135,148</u>	<u>114,738</u>	<u>13,761</u>	<u>15,497</u>	<u>1,251,622</u>
Business-type Activities Capital Assets- Net	<u>\$ 3,811,755</u>	<u>(79,361)</u>	<u>1,529</u>	<u>6,027</u>	<u>3,736,892</u>

The building for the CMRCF is constructed on sixteenth section land that is not owned by the county.

\* Adjustments are to reclassify completed construction in progress to infrastructure and to reclassify paid out lease purchases to their proper classifications.

Depreciation expense was charged to the following functions:

	Amount
Governmental activities:	
General government	\$ 18,812
Culture and recreation	9,557
Public safety	135,567
Public works	351,635
Health and welfare	9,499
Total governmental activities depreciation expense	<u>525,070</u>
Business-type activities:	
Correctional facility	\$ <u>114,738</u>

(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.

CARROLL COUNTY

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

(7) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2008:

<u>Class of Property</u>	<u>Amount</u>
Buildings	\$ <u>750,000</u>

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2008, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 26,671	17,356
2010	30,944	18,970
2011	31,885	18,029
2012	32,856	17,059
2013	33,854	16,059
2014 - 2018	185,357	64,211
2019 - 2023	215,313	34,254
2024 - 2028	<u>116,225</u>	<u>4,409</u>
Total	\$ <u>673,105</u>	<u>190,347</u>

As Lessee:

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

<u>Class of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 886,628
Less: Accumulated depreciation	<u>277,756</u>
Leased Property Under Capital Leases	\$ <u>608,872</u>

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

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 158,431	19,563
2010	227,693	12,246
2011	70,965	5,250
2012	82,517	1,989
2013	<u>2,938</u>	<u>35</u>
Total	\$ <u>542,544</u>	<u>39,083</u>

CARROLL COUNTY

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

(8) Long-term Debt.

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>Governmental Activities:</b>			
<b>A. General Obligation Bonds:</b>			
1998 refunding bonds	\$ <u>640,000</u>	4.15/4.50%	07/12
<b>B. Special Assessment Debt with Commitments</b>			
Wildridge Estates Road*	\$ 22,515	6.00%	04/16
County Road 313**	<u>9,481</u>	5.00%	06/14
Total Special Assessment Debt with Commitments	\$ <u>31,996</u>		
<b>C. Capital Leases:</b>			
2001 Linkbelt excavator model 210 LX	\$ 17,476	3.14%	08/09
2000 Ford pickup 4X4	603	2.97%	11/08
2000 12H motor grader	18,560	3.29%	10/09
1999 CXL dozer	9,200	3.50%	05/09
1998 Freightliner	12,169	3.95%	07/09
2005 Dodge Ram 4X4	8,395	4.14%	06/10
2005 Dodge Ram	7,269	3.91%	04/10
Imaging equipment	14,930	4.25%	09/09
Konica Bizhub 600 copier	5,157	4.52%	04/10
2005 International garbage truck	64,688	4.30%	07/12
1998 Mack dump truck	28,075	4.76%	11/11
1994 Mack dump truck	12,525	4.66%	02/11
2007 Volvo motor grader	152,761	4.20%	02/10
2008 Crown Victoria	24,773	3.44%	05/11
2008 Crown Victoria	24,773	3.44%	05/11
2008 Crown Victoria	24,773	3.44%	05/11
E911 radio equipment	21,481	3.58%	04/13
2007 Mack dump truck	<u>94,936</u>	3.80%	05/12
Total Capital Leases	\$ <u>542,544</u>		
<b>D. Other Loans:</b>			
CAP loan 242 fire protection	\$ 3,058	3.00%	02/09
CAP loan 299 fire protection	14,564	3.00%	09/10
CAP loan 329 fire protection	24,469	3.00%	11/11
CAP loan - fire protection	39,893	2.00%	05/13
CAP loan - Anel Building	675,494	3.00%	03/26
CAP loan - fire protection	<u>70,580</u>	2.00%	06/17
Total Other Loans	\$ <u>828,058</u>		

CARROLL COUNTY

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

Description and Purpose	Amount Outstanding	Interest Rate	Maturity Date
Business-type Activities:			
A. Limited Obligation Bonds:			
Urban renewal revenue bonds***	\$ 3,890,000	5.00/6.25%	12/17

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		Special Assessment Debt	
	Principal	Interest	Principal	Interest
2009	\$ 150,000	28,337	3,726	1,822
2010	155,000	21,813	3,876	1,616
2011	165,000	14,993	4,094	1,397
2012	170,000	7,650	4,323	1,168
2013			4,567	924
2014 - 2018			11,410	1,302
Total	\$ 640,000	72,793	31,996	8,229

Year Ending September 30	Other Loans	
	Principal	Interest
2009	\$ 62,330	22,933
2010	61,905	21,182
2011	55,996	19,622
2012	50,685	18,175
2013	49,207	16,843
2014 - 2018	216,399	65,390
2019 - 2023	215,312	34,254
2024 - 2028	116,224	4,409
Total	\$ 828,058	202,808

Business-type Activities:

Year Ending September 30	Limited Obligation Bonds	
	Principal	Interest
2009	\$ 305,000	197,184
2010	320,000	181,399
2011	340,000	164,484
2012	355,000	146,499
2013	375,000	127,425
2014 - 2018	2,195,000	306,743
Total	\$ 3,890,000	1,123,734

CARROLL COUNTY

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

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 .83% of the latest property assessments.

Special Assessment Debt with Commitments

- \* Special assessment debt of \$35,905 was issued on September 14, 2001, to pave roads under the provisions of Section 65-19-88, Miss. Code Ann. (1972). A special assessment tax was levied against all of the benefitted property owners. The other benefitted owners agreed to share in the levied taxes of one owner who would not participate. The county will levy annually this special assessment tax upon all taxable property in the benefitted area of Wildridge Estates subdivision adequate and sufficient to provide for the payment of the principal and interest on the bonds as the same falls due over a period of fifteen years. The principal balance outstanding at September 30, 2008, is \$22,515.
- \*\* Special assessment debt of \$14,800 was issued on October 4, 2004, to pave roads under the provisions of Section 65-19-88, Miss. Code Ann. (1972). A special assessment tax was levied against all of the benefitted property owners. The county will levy annually this special assessment tax upon all taxable property in the benefitted area of County Road 313 adequate and sufficient to provide for the payment of the principal and interest on the bonds as the same falls due over a period of ten years. The principal balance outstanding at September 30, 2008, is \$9,481.

Limited Obligation Bonds

- \*\*\* Limited obligation urban renewal bonds, designed as "qualified tax exempt obligations" for purposes of Section 265 of the Internal Revenue Code of 1986, were issued with a face value of \$5,800,000 for the purpose of financing the construction and equipping of the Carroll-Montgomery Regional Correctional Facility. The bonds are not a general obligation of the county and, therefore, are not secured by the full faith and credit of the county. The sole source of payment for the revenue bonds is income derived from an inmate housing agreement with the Mississippi Department of Corrections for housing state prisoners and income received from any other governments for housing and holding prisoners.

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
Governmental Activities:						
General obligation bonds	\$ 780,000		140,000		640,000	150,000
Special assessment debt with commitments	35,444		3,448		31,996	3,726
Capital leases	732,161	197,299	386,916		542,544	158,431
Other loans	954,646		126,588		828,058	62,330
Total	\$ 2,502,251	197,299	656,952	0	2,042,598	374,487

CARROLL COUNTY

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

	Balance Oct. 1, 2007	Additions	Reductions	Adjustments	Balance Sept.30, 2008	Amount due within one year
Business-type Activities:						
Compensated absences	\$ 12,900		1,865		11,035	0
Limited obligation bonds	4,180,000		290,000		3,890,000	305,000
Capital leases	4,177		4,177		0	0
<b>Total</b>	<b>\$ 4,197,077</b>	<b>0</b>	<b>296,042</b>	<b>0</b>	<b>3,901,035</b>	<b>305,000</b>

(9) 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.

(10) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Holmes Community College operates in a district composed of the Counties of Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Webster and Yazoo. The Carroll County Board of Supervisors appoints two of the 22 members of the college board of trustees. The county appropriated \$156,844 for maintenance and support of the college 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 Carroll County Board of Supervisors appoints four of the 28 members of the district board of directors. The county appropriated \$12,606 for support of the District in the 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 Carroll County Board of Supervisors appoints one of the 8 members of the board of commissioners. The county appropriated \$25,000 for support of the center in fiscal year 2008.

Yazoo-Mississippi Water Management District operates in a district composed of the Counties of Bolivar, Carroll Coahoma, DeSoto, Holmes, Humphreys, Issaquena, Leflore, Panola, Quitman, Sharkey, Sunflower, Tallahatchie, Tate, Tunica, Washington and Yazoo. The Carroll County Board of Supervisors appoints one of the 21 members of the district board of commissioners. The county appropriated \$3,398 for the support of the district in fiscal year 2008.

Mississippi Regional Housing Authority IV operates in a district composed of the Counties of Carroll, Choctaw, Clay, Grenada, Lowndes, Montgomery, Oktibbeha, Webster and Winston. The Carroll County Board of Supervisors appoints one of the 9 members of the board of commissioners. The county did not appropriate for the support of the authority in the fiscal year 2008.

CARROLL COUNTY

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

(11) Defined Benefit Pension Plan.

Plan Description. Carroll 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 11.30% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2008, 2007 and 2006 were \$408,945, \$374,850 and \$335,793 respectively, equal to the required contributions for each year.

CARROLL COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

CARROLL 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	\$ 2,679,878	2,727,019	2,727,019	
Licenses, commissions and other revenue	78,810	92,276	92,276	
Fines and forfeitures	178,100	160,776	160,776	
Charges for services	4,500	7,096	7,096	
Intergovernmental revenues	276,778	226,308	226,308	
Interest income	24,299	15,454	15,454	
Miscellaneous revenues	3,146	19,572	19,572	
Total Revenues	<u>3,245,511</u>	<u>3,248,501</u>	<u>3,248,501</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,035,062	2,091,890	2,091,890	
Public safety	669,480	786,044	786,044	
Public works	4,000	7,154	7,154	
Health and welfare	107,932	90,565	90,565	
Culture and recreation	117,745	121,539	121,539	
Conservation of natural resources	82,060	81,032	81,032	
Economic development	12,606	12,606	12,606	
Debt service:				
Principal	24,376	18,785	18,785	
Interest		1,280	1,280	
Total Expenditures	<u>3,053,261</u>	<u>3,210,895</u>	<u>3,210,895</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>192,250</u>	<u>37,606</u>	<u>37,606</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Compensation for loss of capital assets		1,084	1,084	
Proceeds from sale of capital assets		210	210	
Proceeds from long-term debt		74,319	74,319	
Transfers in	51,000	277	277	
Transfers out	(239,750)	(224,750)	(224,750)	
Total Other Financing Sources and Uses	<u>(188,750)</u>	<u>(148,860)</u>	<u>(148,860)</u>	<u>0</u>
Net Change in Fund Balance	3,500	(111,254)	(111,254)	0
Fund Balances - Beginning	619,638	300,000	510,322	0
Fund Balances - Ending	<u>\$ 623,138</u>	<u>188,746</u>	<u>399,068</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.  
 See Accountant's Compilation Report.

CARROLL COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Bridge 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	\$ 334,000	360,247	360,247	
Intergovernmental revenues		754,380	754,380	
Interest income	10,000	7,507	7,507	
Total Revenues	<u>344,000</u>	<u>1,122,134</u>	<u>1,122,134</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Public works	282,227	580,096	580,096	
Debt service:				
Principal	26,545	21,832	21,832	
Interest		289	289	
Total Expenditures	<u>308,772</u>	<u>602,217</u>	<u>602,217</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>35,228</u>	<u>519,917</u>	<u>519,917</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	35,228	519,917	519,917	0
Fund Balances - Beginning	976,000	657,776	694,033	0
Fund Balances - Ending	<u>\$ 1,011,228</u>	<u>1,177,693</u>	<u>1,213,950</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.  
 See Accountant's Compilation Report.

CARROLL 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>Bridge Fund</u>
Budget (Cash Basis)	\$ (111,254)	519,917
Increase (Decrease)		
Net adjustments for revenue accruals	14,807	(497,711)
Net adjustments for expenditure accruals	<u>1,957</u>	<u>89,266</u>
GAAP Basis	<u>\$ (94,490)</u>	<u>111,472</u>

CARROLL COUNTY

SUPPLEMENTAL INFORMATION

CARROLL COUNTY  
Reconciliation of Operating Costs of Solid Waste  
For Year Ended September 30, 2008

Operating Expenditures, Cash Basis:

Salaries	\$	154,353
Expendable Commodities:		
Gasoline and petroleum products		26,846
Repair parts		8,532
Repairs and maintenance		33,462
Solid waste disposal fee		56,290
Supplies		<u>9,676</u>
Solid Waste Cash Basis Operating Expenditures		289,159
Full Cost Expenses:		
Indirect administrative costs		5,565
Depreciation on equipment		34,131
Net effect of other accrued expenses		<u>(18,455)</u>
Solid Waste Full Cost Operating Expenses	\$	<u>310,400</u>

CARROLL COUNTY

SPECIAL REPORTS

# Windham and Lacey, PLLC

*Certified Public Accountants*

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2708 Old Brandon Road  
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Members:  
American Institute of CPAs  
Mississippi Society of CPAs

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

Members of the Board of Supervisors  
Carroll County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Carroll 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 February 3, 2010. 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 Carroll 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 certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 08-1 and 08-2 to be significant deficiencies 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 limited purposes 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 believe that none of the significant deficiencies described above is a material weakness.

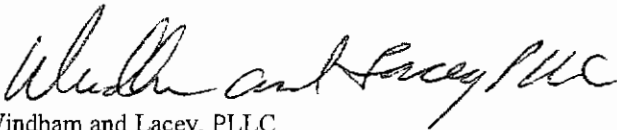
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carroll 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 have reported to the management of Carroll County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated February 3, 2010, included within this document.

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

This report is intended solely for the information and use of management, the Board of Supervisors and 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.



Windham and Lacey, PLLC  
February 3, 2010

# Windham and Lacey, PLLC

*Certified Public Accountants*

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

Members of the Board of Supervisors  
Carroll County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Carroll 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 Carroll 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 Carroll 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, Carroll 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 Carroll County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

  
Windham and Lacey, PLLC  
February 3, 2010

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

Schedule I

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

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

Schedule 2

Our test results did not identify any emergency purchases.

CARROLL COUNTY

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

Schedule 3

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

# Windham and Lacey, PLLC

*Certified Public Accountants*

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## LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors  
Carroll County, Mississippi

In planning and performing our audit of the financial statements of Carroll County, Mississippi for the year ended September 30, 2008, we considered Carroll 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 Carroll 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 February 3, 2010, on the financial statements of Carroll 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 one area that is an opportunity for strengthening internal controls and operating efficiency. Our finding and recommendation and your response is disclosed below:

Tax Assessor-Collector.

1. Finding

Sections 27-35-143 through 27-35-149, Miss. Code Ann. (1972), prescribe the procedures to be followed for making changes in assessments. As reported in the last eleven years' audit reports, the Tax Assessor-Collector made changes in assessments without prior approval from the Board of Supervisors. Failure to follow proper procedures increases the potential for changes in assessments to be made for improper reasons.

Recommendation

The Tax Assessor-Collector should follow proper procedures in changing assessments by obtaining prior approval from the Board of Supervisors.

Tax Assessor-Collector's Response

Steps have been taken to fill out change forms and have them submitted to the Board of Supervisors for approval before collecting the taxes.

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.



Windham and Lacey, PLLC  
February 3, 2010

CARROLL COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

CARROLL 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:

Governmental activities	Unqualified
Business-type activities	Unqualified
Aggregate discretely presented component units	Unqualified
General Fund	Unqualified
Bridge Fund	Unqualified
MS Development Authority CAP Anel Bldg I & S Fund	Unqualified
Aggregate remaining fund information	Unqualified
  
2. Internal control over financial reporting:
  - a. Material weaknesses identified? No
  
  - b. Significant deficiencies identified that are not considered to be material weaknesses? Yes
  
3. Noncompliance material to the financial statements? No

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency

08-1. Finding

Article 66 of the Mississippi Constitution prohibits writing off accounts receivable of the county. Upon Board approval, the county has written off multiple solid waste accounts. Failure to properly pursue the collection of accounts receivable balances could result in loss of revenues of the county.

Recommendation

The Board of Supervisors should cease in using this practice.

Response

No accounts with a balance will be written off in the future unless it was billed in error.

CARROLL COUNTY

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

Chancery Clerk.

Significant Deficiency

08-2. Finding

An effective system of internal control includes a separation of duties. As reported in the last 15 years' audit reports, observations revealed that there is not an adequate separation of duties in the accounting functions. Failure to have an adequate separation of duties could result in the loss of public funds due to the mishandling of funds.

Recommendation

Accounting functions involving receipting and disbursing of funds, recording transactions and reconciling accounts should be performed by separate individuals.

Response

This is a very small county and it is not economically feasible to hire additional personnel, nor do we have office space available. The county is in the planning phase for adding on additional space with an estimated completion date of December, 2010.