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HUMPHREYS COUNTY, MISSISSIPPI

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

Bridgers & Company, P.C.
Certified Public Accountants
Vicksburg, Mississippi

HUMPHREYS COUNTY

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HUMPHREYS COUNTY

FINANCIAL SECTION

HUMPHREYS COUNTY

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Humphreys County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Humphreys 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, and have issued our report thereon dated, February 11, 2010. 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 the Humphreys County Library, a component unit, which represents 100 percent, of the assets, net assets and revenues of the aggregate discretely presented component unit column. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component unit, is based solely on the report of other auditors.

Except as discussed in the following paragraphs, 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 presentation. We believe that our audit and the reports of other auditors, provide a reasonable basis for our opinions.

Management has not maintained adequate subsidiary records documenting the existence, completeness and valuation of the governmental activities capital assets reported on the Statement of Net Assets at \$ 6,464,148, as of September 30, 2008. Also, management has not maintained depreciation schedules or reported depreciation expense on these governmental activities' capital assets. Accounting principles generally accepted in the United States of America require that those governmental activities' capital assets be depreciated, which would decrease the asset and increase the expense of the governmental activities. The amount by which this departure would affect the assets and expenses of the governmental activities is not reasonably determinable. Accordingly, we were unable to satisfy ourselves as to the fair presentation of these capital assets and related transactions of the governmental activities.

Humphreys County Memorial Hospital, a component unit of Humphreys County, Mississippi, was sold prior to September 30, 2008. The financial statements from October 1, 2007 to the date of the sale, were not audited and have not been included in the county's basic financial statements as a discretely presented component unit. Accounting principles generally accepted in the United States of America require the financial data for this component unit to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The county has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues, and expenses of the aggregate discretely component units is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the third paragraph, the financial statements referred to previously, do not present fairly, the financial position of the governmental activities of Humphreys County, Mississippi, as of September 30, 2008, and the changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, because of the effects of the matter discussed in the fourth paragraph, the financial statements referred to above do not present fairly, the financial position of the discretely presented component units of Humphreys County, Mississippi, as of September 30, 2008, and the changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Humphreys 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 February 11, 2010, on our consideration of Humphreys County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Humphreys 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 Schedule 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 other auditors 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 not opinion on it.

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

Bridgers & Company, P.C.
BRIDGERS & COMPANY, P.C.
Certified Public Accountants
Vicksburg, Mississippi

February 11, 2010

HUMPHREYS COUNTY

FINANCIAL STATEMENTS

Humphreys County
Statement of Net Assets
September 30, 2008

Exhibit 1

	Primary Government Governmental Activities	Component Unit Humphreys County Library
ASSETS		
Cash	\$ 1,995,395	207,438
Cash on deposit with risk pool	99,792	
Property tax receivable	3,369,000	
Accounts receivable,(net of allowance for uncollectibles of \$ 1,411,760)	65,186	4,371
Fines receivable, (net of allowance for uncollectibles of \$904,415)	5,446	
Intergovernmental receivables	33,718	
Other receivables	15,521	
Inventories and prepaids		
Capital assets:		
Land and construction in progress	250,974	
Other capital assets, net	6,464,148	32,419
Total Assets	\$ 12,299,180	244,228
LIABILITIES		
Claims payable	307,854	6,418
Intergovernmental payables	65,608	
Accrued interest payable	179,450	
Deferred revenue	3,369,000	
Other payables	18,277	
Long-term liabilities		
Due within one year:		
Capital related debt	522,242	
Non-capital debt	285,000	
Due in more than one year:		
Capital related debt	3,083,947	
Non-capital debt	638,338	
Total Liabilities	8,469,716	6,418
NET ASSETS		
Invested in capital assets, net of related debt	3,108,933	32,419
Restricted:		
Expendable:		
Debt service	181,261	
Public safety	258,076	
Public works	129,722	
Culture and recreation	15,324	
Unrestricted	136,148	205,391
Total Net Assets	\$ 3,829,464	237,810

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

Humphreys County
Statement of Activities
For the Year Ended September 30, 2008

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 Governmental Activities	Component Units Humphreys County Library
Primary government: Governmental activities:						
General government	\$ 3,057,114	367,199			-2,689,915	
Public safety	1,181,418	88,033			-1,093,385	
Public works	2,210,972	181,562	38,046		-1,991,364	
Health and welfare	330,217				-330,217	
Culture and recreation	40,000				-40,000	
Conservation of natural resources	136,323				-136,323	
Economic development and assistance	31,243				-31,243	
Interest on long-term debt	285,732				-285,732	
Total Governmental Activities	\$ 7,273,019	636,794	38,046	0	-6,598,179	
Component Units: Humphreys County Library	141,439	6,871	87,974			-66,594
General revenues:						
Property taxes				\$	4,012,030	
Road & bridge privilege taxes					425,897	
Grants and contributions not restricted to specific programs					1,267,554	58,000
Unrestricted investment income					38,718	3,985
Miscellaneous					330,203	2,739
Total General Revenues					6,094,402	62,724
Changes in Net Assets					-503,777	-3,870
Net Assets - Beginning					4,333,241	241,680
Net Assets - Ending				\$	3,829,464	237,810

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

Humphreys County
Balance Sheet - Governmental Funds
September 30, 2008

Exhibit 3

Major Funds

	General Fund	E-911	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	1,248,291	96,807	652,487	1,995,385
Cash on deposit with risk pool	96,792			96,792
Property tax receivable	2,140,000		1,228,000	3,368,000
Accounts receivable (net of allowance for uncollectibles of \$ 1,411,760)			65,186	65,186
Fines receivable (net of allowance for uncollectibles of \$ 904,415)	5,446			5,446
Intergovernmental receivables	33,718			33,718
Advances to other funds	83,103	31,995	20,554	135,652
Due from other funds			18,851	18,851
Other receivables	1,130		14,381	15,521
Total Assets	3,609,480	128,802	2,000,279	5,738,381

LIABILITIES AND FUND BALANCES

Liabilities:				
Claims payable	153,361	5,529	148,964	307,854
Intergovernmental payables	65,808			65,808
Due to other funds	18,651			18,651
Advances from other funds	20,554		115,096	135,652
Deferred revenue	2,145,446		1,294,186	3,439,632
Other payables	18,277			18,277
Total Liabilities	2,421,897	5,529	1,558,248	3,985,674

Fund balances

Reserved for:				
Advances	83,103	31,995	20,554	135,652
Debt service			177,973	177,973
Unreserved, reported in:				
General Fund	1,104,480			1,104,480
Special Revenue Funds		91,078	243,504	334,582
Total Fund Balances	1,187,583	123,073	442,031	1,752,687
Total Liabilities and Fund Balances	\$ 3,609,480	128,802	2,000,279	5,738,361

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

Humphreys 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	\$ 1,752,687
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.	6,715,122
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	70,632
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	-4,529,527
Accrued interest payable is not due and payable in the current - period and, therefore, is not reported in the funds.	-179,450
Total Net Assets - Governmental Activities	\$ <u><u>3,829,464</u></u>

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

Humphreys County

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

Exhibit 4

	Major Funds				Total Governmental Funds
	General Fund	E-911	Other Governmental Funds		
REVENUES					
Property taxes	3,089,688		922,342		4,012,030
Road and bridge privilege taxes	128,925		425,897		128,925
Licenses, commissions and other revenue	159,549		13		159,562
Fines and forfeitures	389,828		920,106		1,309,934
Intergovernmental revenues	63,135	88,033	243,677		394,845
Charges for services	16,884		21,834		38,718
Interest income	317,633		12,570		330,203
Miscellaneous revenues	4,165,642	88,033	2,546,439		6,800,114
Total Revenues					
EXPENDITURES					
Current:					
General government	3,232,440		8,093		3,240,533
Public safety	937,747	646,857	7,368		1,591,972
Public works			2,231,139		2,231,139
Health and welfare	79,490		249,608		329,098
Culture and recreation	40,000				40,000
Conservation of natural resources	136,323				136,323
Economic development and assistance	31,243				31,243
Debt service:					0
Principal	812,155	43,934	250,170		1,106,259
Interest	28,320	5,094	130,039		163,453
Total Expenditures	5,297,718	695,885	2,876,417		8,870,020
Excess of Revenues over (under) Expenditures	-1,132,076	-607,852	-329,978		-2,069,906

OTHER FINANCING SOURCES (USES)

Long-term capital debt issued	1,318,947		1,318,947
Refunding bonds issued			0
Proceeds from sale of capital assets		30,976	30,976
Payment to bond escrow agent			
Total Other Financing Sources and Uses	1,318,947	0	1,349,923
Net Changes in Fund Balances	186,871	-607,852	-719,983
Fund Balances - Beginning	1,000,712	730,925	2,472,670
Fund Balances - Ending	\$ 1,187,583	123,073	1,752,687

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

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

Exhibit 4-1

Amount
 \$ -719,983

Net Change in Fund Balances - Governmental Funds

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 \$616,787 exceeded depreciation of \$0 in the current period.

616,787

In the Statement of Activities, only gains and losses from the sale of capital assets are reported,
 whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial
 resources and loss from the sale of capital assets decreases financial resources. Thus, the change
 in net assets differs from the change in fund balances by the amount of the loss of \$ 0 and the
 proceeds from the sale of \$ 30,976 in the current period.

-30,976

Fine revenue recognized on the modified accrual basis in the funds during the current year, is increased
 because fines receivable increased representing revenue which would be required to be recognized
 on the Statement of Activities using the full-accrual basis of accounting.

-22,981

Garbage collection revenue recognized on the modified accrual basis in the funds during the current
 year, decreased because funds were collected for which prior year recognition would have been
 required on the Statement of Activities using the full-accrual basis of accounting.

-7,891

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 \$ 1,106,259, are exceeded debt proceeds of \$ 1,318,947.

-212,688

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 balance by a combination of the following items:

The amount of increase in:

Interest payable

-122,279

The amount of decrease in:

Compensated absences

-3,766

Change in Net Assets of Governmental Activities

\$ -503,777

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

Humphreys County
Statement of Fiduciary Assets and Liabilities
September 30, 2008

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 130,037
	<hr/>
Total Assets	<u>130,037</u>
LIABILITIES	
Intergovernmental payables	130,037
	<hr/>
Total Liabilities	<u>\$ 130,037</u>

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

HUMPHREYS COUNTY

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Humphreys County

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Humphreys 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 Humphreys County to present these financial statements on the primary government and its component units which have a significant operational or financial relationship 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 Disclosures.

Discretely Presented Component Units

The component units columns in the financial statements include the financial data of the following component units of the county. They are reported in a separate column to emphasize that they are legally separate from the county. All members of the governing bodies of these component units are appointed by the county Board of Supervisors.

Humphreys County Memorial Hospital was sold on March 13, 2008. The records from October 1, 2007 to March 13, 2008 were not audited and therefore are not included in this report.

The Humphreys County Library is a public library designed to promote and develop adequate library services throughout Humphreys County that meet the general and specialized needs of the citizens of the county. The Board of Supervisors of Humphreys County appoints the five members of the library's Board of Trustees.

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 certain legally separate component units for which the primary government is financially accountable.

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

Fund Financial Statements:

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

D. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds (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 sixty 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.

Humphreys County

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

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.

E-911 Fund - Accounts for monies from specific revenue sources that are restricted for E-911 operations .

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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 market 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 financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

Humphreys 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. However, the capital assets amount reported on the accompanying Statement of Net Assets, is not fairly presented because the county did not maintain subsidiary records documenting the existence, completeness and valuation of capital assets. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair 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 retroactively report major infrastructure assets by September 30, 2007. Current year general infrastructure assets are required to be reported. General infrastructure assets acquired after September 30, 1980, are not reported on the government wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

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
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy will correspond with the amounts for the asset classification, as listed above.

J. Long-term liabilities.

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

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

Humphreys 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, constructions or improvements of those assets.

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

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

Fund Financial Statements:

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

Humphreys County

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

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 applied for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

N. Compensated Absences.

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

(2) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2008, was \$ 2,125,432, and the bank balance was \$2,492,481. 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.

Humphreys 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:

Due From / To Other Funds

A.	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
	Other Governmental Funds	General Fund	\$ 18,651
	Total		<u>\$ 18,651</u>

All receivables represent the tax revenue collected but not settled until after September 30, 2008. All interfund balances are expected to be repaid one year from the date of the financial statements.

B. Advances to / from Other Funds

	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
	General Fund	Other Governmental Fund	\$ 83,103
	E-911	Other Governmental Fund	31,995
	Other Governmental	General	20,554
	Total		<u>\$ 135,652</u>

The amounts payable represents outstanding loan balances unpaid from the previous year.

(4) Intergovernmental Receivables:

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

	<u>Receivables</u>
General:	
Legislative Credit	\$ 33,718
Total	<u>\$ 33,718</u>

Humphreys County

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

(5) Capital Assets:

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

Governmental activities:

	Balance Oct. 1, 2007	Additions	Deletions	Adjustments	Balance Sept. 30, 2008
Land	\$ 109,072				109,072
Construction in progress	141,902				141,902
Total Non-depreciable capital assets	<u>250,974</u>				<u>250,974</u>
Depreciable capital assets:					
Infrastructure	444,214				444,214
Buildings	955,314	522,673			1,477,987
Improvements other than buildings	682,197				682,197
Mobile equipment	2,187,291	20,167	30,976	39,428	2,215,910
Furniture and equipment	257,227				257,227
Leased property under capital leases	1,352,094	73,947		-39,428	1,386,613
Total depreciable capital assets	<u>5,878,337</u>	<u>616,767</u>	<u>30,976</u>	<u>0</u>	<u>6,464,148</u>
Governmental activities capital assets, net	<u>\$ 6,129,311</u>	<u>616,787</u>	<u>30,976</u>	<u>0</u>	<u>6,715,122</u>

COMPONENT UNIT - HUMPHREYS COUNTY LIBRARY SYSTEM:

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

	Balance Oct. 1, 2007	Additions	Deletions	Adjustments	Balance Sept. 30, 2008
Depreciable capital assets:					
Library collection (books, periodicals, audio visual and microfilm)	\$ 501,792	1,406			503,198
Total depreciable capital assets	<u>501,792</u>	<u>1,406</u>			<u>503,198</u>
Less accumulated depreciation for:					
Library collection (books, periodicals, audio visual and microfilm)	452,555	18,224			470,779
Total accumulated depreciation	<u>452,555</u>	<u>18,224</u>			<u>470,779</u>
Total capital assets being depreciated - net	<u>49,237</u>	<u>-16,818</u>			<u>32,419</u>
Governmental activities capital assets, net	<u>\$ 49,237</u>	<u>-16,818</u>			<u>32,419</u>

Humphreys County

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

(6) Claims and Judgments:

The county finances its exposure to risk of loss related to worker's 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.

The county finances its exposure to risk of loss relating to employees health and accident coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool. The pool is a claims-serving organization with the county retaining the risk of loss on all claims to which the county is exposed. Premium payments to the pool are determined on an actuarial basis. The county has reinsurance which functions on a specific stop loss coverage. This coverage is purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$ 25,000, and the aggregate policy covers all submitted claims in excess of \$ 308,098. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The county had no year end liability because cash on deposit in the risk pool exceeded the pool's accrued unpaid claims in the amount of \$ 99,792, reported on the balance sheet.

(7) Capital Leases.

As Lessee:

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

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 1,386,613
Leased Property Under Capital Leases	<u>\$ 1,386,613</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	\$ 257,242	43,362
2010	259,752	32,743
2011	512,002	11,196
2012	52,193	1,236
Total	<u>\$ 1,081,189</u>	<u>88,537</u>

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

(8) Short - term Debt and Liquidity.

The following is a summary of short-term debt activity for the year ended September 30, 2008:

Description and Purpose	Balance				Balance Spet 30, 2008
	Oct. 1, 2007	Additions	Reductions	Adjustments	
Tax Anticipation Note	\$ 750,000		750,000		0

During the month of December, 2006 and September 2007 the county issued \$ 750,000 of tax anticipation notes with an interest rate of 4.22% , in order to alleviate a temporary operating cash flow deficiency.

(9) Long - term Debt.

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds			
2006 GO Refunding Bonds	\$ 425,000	4.8	06-16
2008 GO Refunding Bonds	1,755,000	4.0	05-17
2007 GO Bonds	345,000	3.9	11-12
Total General Obligation Bonds	<u>\$ 2,525,000</u>		
B. Capital Leases:			
Three Crown Victoria patrol cars	\$ 62,022	3.250	03-11
Case 580M Backhoe	16,456	3.515	06-10
Case 580M Backhoe	16,456	3.515	06-10
Kubota M9000 Tractor	3,174	3.650	01-09
Mac CV713 Dump Trucks 5ea.	439,505	3.100	01-10
E-911 Equipment	196,066	4.340	09-12
Voivo G930 Graders 2 each	347,510	4.260	09-10
Total Capital Leases	<u>\$ 1,081,189</u>		
C. Other Loans:			
Shortfall Note	\$ 900,000	3.7	07-11
Total Other Loans	<u>\$ 900,000</u>		

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

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2009	\$ 285,000	102,788	285,000	33,300
2010	275,000	91,932	300,000	22,755
2011	295,000	80,540	315,000	11,655
2012	305,000	68,450		
2013	325,000	55,823		
2014-2017	1,060,000	107,480		
Total	\$ 2,525,000	507,013	900,000	67,710

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 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 8.27% of the latest property assessments.

Prior Year Defeasance of Debt - In prior years, the county defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the county's financial statements. On September 30, 2008, \$1,775,000 of bonds were considered defeased.

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

Governmental Activities:	Balance				Balance	Amount due within one year
	10/1/2007	Additions	Reductions	Adjustments		
Compensated absences	\$ 19,572	3,766			23,338	
Other loans	0	900,000			900,000	285,000
General obligation bonds	2,370,000	345,000	190,000		2,525,000	265,000
Capital leases	1,173,501	73,947	166,259		1,081,189	257,242
Total	\$ 3,563,073	1,322,713	356,259		4,529,527	807,242

(10) Deficit Fund Balance of Individual Funds.

The following funds reported a deficit in fund balance at September 30, 2008:

	Deficit Amount
Garbage & Solid Waste	\$ 220,500
Countywide FEMA Road Project	111,856

Humphreys County

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

(11) Contingencies.

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

Litigation - The county is part 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 council believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

(12) Joint Venture.

The county participates in the following joint venture:

The North Central Task Force consists of Carroll, Claiborne, Grenada, Holmes, Humphreys, Leflore, Quitman, and Tunica Counties and the Cities of Itta Bena and Port Gibson. It is a multi-jurisdictional drug enforcement task force established to provide more widespread apprehension and prosecution of violators. The county appropriated \$ 11,630 for its support in fiscal year 2008.

(13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Mississippi Delta Community College operates in a district composed of the counties of Bolivar, Coahoma, Humphreys, Issaquena, Leflore, Sharkey, Sunflower and Washington. The Humphreys County Board of Supervisors appoints two of the 20 members of the college board of trustees. The county appropriated \$ 61,068 for the support and maintenance of the college 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 Humphreys County Board of Supervisors appoints one of the eight members of the board of commissioners. The county appropriated \$ 28,496 for its support in fiscal year 2008.

South Delta Planning and Development District operates in a district composed of the counties of Bolivar, Humphreys, Issaquena, Sharkey, Sunflower and Washington. The Humphreys County Board of Supervisors appoints one of the 22 members of the board of trustees. The county appropriated \$ 1,900 for the support of the district 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 Humphreys County Board of Supervisors appoints one of the members of the board of commissioners. The county appropriated \$15,036 to the district in fiscal year 2008.

HUMPHREYS COUNTY

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

(14) Defined Benefit Pension Plan.

Plan Description - Humphreys 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 is 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 \$215,851, \$199,128 and \$182,061, respectively, equal to the required contributions for each year.

(15) Subsequent Events.

Subsequent to September 30, 2008, Humphreys County issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
05-04-09	5.91%	62,558	Purchase Equipment	Ad valorem taxes
06-01-09	6.30%	16,500	Purchase Equipment	Ad valorem taxes
10-05-09	4.375%	424,917	GO Bonds	Ad valorem taxes

HUMPHREYS COUNTY

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HUMPHREYS COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

Humphreys 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)
REVENUES				
Property taxes	\$ 2,841,000	3,087,303	3,087,303	0
Licenses, commissions and other revenue	121,700	128,893	128,893	0
Fines and forfeitures	126,000	158,021	158,021	0
Intergovernmental revenues	440,350	389,828	389,828	0
Charges for services	50,000	63,135	63,135	0
Interest income	22,000	16,882	16,882	0
Miscellaneous revenues	100,000	317,633	317,633	0
Total Revenues	<u>3,701,050</u>	<u>4,161,695</u>	<u>4,161,695</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	2,923,390	2,939,547	2,939,547	0
Public safety	1,015,660	889,944	889,944	0
Public works	2,500			0
Health and welfare	270,070	78,173	78,173	0
Culture and recreation	42,000	40,000	40,000	0
Conservation of natural resources	138,350	136,747	136,747	0
Economic development and assistance	41,400	31,242	31,242	0
Debt Service	17,200	1,031,671	1,031,671	0
Total Expenditures	<u>4,450,570</u>	<u>5,147,324</u>	<u>5,147,324</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>-749,520</u>	<u>-985,629</u>	<u>-985,629</u>	
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt				0
Proceeds from sale of capital assets				0
Other financing sources				0
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	-749,520	-985,629	-985,629	0
Fund Balance - Beginning	<u>1,141,146</u>	<u>1,141,146</u>	<u>1,141,146</u>	<u>0</u>
Fund Balance - Ending	<u>\$ 391,626</u>	<u>155,517</u>	<u>155,517</u>	<u>0</u>

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

Humphreys County
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 E-911
 For the Year Ended September 30, 2008

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Charges for services	\$ 90,000	88,033	88,033	0
Other income	10,000			
	<u>100,000</u>	<u>88,033</u>	<u>88,033</u>	<u>0</u>
EXPENDITURES				
Public safety	172,300	695,041	695,041	0
	<u>172,300</u>	<u>695,041</u>	<u>695,041</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>-72,300</u>	<u>-607,008</u>	<u>-607,008</u>	<u>0</u>
Net Change in Fund Balance	-72,300	-607,008	-607,008	
Fund Balance - Beginning	<u>703,615</u>	<u>703,615</u>	<u>703,615</u>	<u>0</u>
Fund Balance - Ending	<u>\$ 631,315</u>	<u>96,607</u>	<u>96,607</u>	<u>0</u>

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

HUMPHREYS 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 Budget 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>General Fund</u>	<u>E-911 Fund</u>
Net Change in Fund Balance - Budget (Cash Basis)	\$ -985,629	-607,008
Increase (Decrease)		
Net adjustments for revenue accruals	1,322,894	0
Net adjustments for expenditure accruals	-150,394	-844
	<u> </u>	<u> </u>
Net Change in Fund Balance - GAAP Basis	<u>\$ 186,871</u>	<u>-607,852</u>

HUMPHREYS COUNTY

SUPPLEMENTAL INFORMATION

HUMPHREYS COUNTY
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2008

Federal Grantor/ Pass - through Grantor Program Title	Federal CFDA Number	Agency or Pass - through Number	Federal Expenditures
U.S. Department of Agriculture Natural Resources Conservation Service- Watershed protection and flood prevention	10.904 *	68-4423-6-1619 \$	508,802
U.S. Department of Housing and Urban Development Passed-through the Mississippi Development Authority Community development block grant/ technical assistance program	14.227	1121-04-027-PF-01	38,046
Total Expenditures of Federal Awards			<u>\$ 546,848</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

WASHINGTON COUNTY

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HUMPHREYS COUNTY

SPECIAL REPORTS

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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 GOVERNMENTAL AUDITING STANDARDS

Members of the Board of Supervisors
Humphreys County, Mississippi

We have audited the statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Humphreys 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 11, 2010. The report is adverse on the governmental activities because the county did not maintain adequate subsidiary records documenting the existence completeness and valuation of capital assets as required by accounting principles generally accepted in the United States of America. Also, the report is adverse on the aggregate discretely presented component units due to the omission of the Humphreys County Memorial Hospital which was sold during the year. Generally accepted accounting principles require that the financial data of the Humphreys County Memorial Hospital be included in this report for the period ending the date of the sale. 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. Other auditors audited the financial statements of the Humphreys County Library System, as described in our report on Humphreys County, Mississippi's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting on compliance and other matters that are separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Humphreys 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 considered 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 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 responses, as items 08-1, 08-2, 08-3, and 08-4 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 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, of the significant deficiencies described above, we consider Items 08-1, 08-2, and 08-3, to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Humphreys 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as item 08-5.

However, we noted certain instances of noncompliance which we have reported to the management of Humphreys County, Mississippi, in the Independent Auditor's Report on Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated February 11, 2010, included within this document.

Humphreys 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 Humphreys County's responses 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 federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Bridgers & Company, P.C.

BRIDGERS & COMPANY, P.C.
Certified Public Accountants
Vicksburg, Mississippi

February 11, 2010

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

Members of the Board of Supervisors
Humphreys County, Mississippi

Compliance

We have audited the compliance of Humphreys County, Mississippi, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to major federal programs for the year ended September 30, 2008. Humphreys County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Humphreys County, Mississippi's management. Our responsibility is to express an opinion on Humphreys County, Mississippi's compliance based on our audit.

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

In our opinion, Humphreys County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2008.

Internal Control Over Compliance

The management of Humphreys County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Humphreys County, Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purposes of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness on internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

A control deficiency in a county's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

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Vicksburg, Mississippi

February 11, 2010

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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
Humphreys County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Humphreys 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 Humphreys 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 Humphreys 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.

The county did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets.

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

The results of our audit procedures disclose certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

Inventory Control Clerk.

1. Finding

Section 31-7-107, Miss Code Ann. (1972), requires the Inventory Control Clerk to perform a physical inventory of assets on or before October 1, of each year and to file with the Board of Supervisors, in triplicate, a written report of such inventory. A copy of this report is to then be forwarded to the Office of the State Auditor no later than October 15th of each year. As reported in prior year's audit reports, the inventory report was not submitted as required.

Recommendation

The Inventory Control Clerk should file the inventory report with the Board of Supervisors as required and have a copy forwarded to the Office of the State Auditor.

Inventory Control Clerk's Response

The Board of Supervisors will address the problems relating to fixed asset inventory by having the subsidiary records corrected to reflect an accurate record of the assets and corresponding accumulated depreciation.

2. Finding

As reported in prior years audit report, the Inventory Control Clerk did not maintain an accurate inventory or adequate subsidiary records documenting the completeness and valuation of capital assets as prescribed in the Mississippi County Financial Accounting Manual. Therefore, an adverse opinion was issued on the Independent Auditor's Report because we could not satisfy ourselves as to the fair presentation of the capital assets.

Recommendation

The Inventory Control Clerk should establish adequate control procedures to ascertain the historical and / or estimated cost of capital assets and to maintain accurate inventory records documenting the completeness and valuation of capital assets.

Inventory Control Clerk's Response

The Board of Supervisors will address the problems relating to fixed asset inventory by having the subsidiary records corrected to reflect an accurate record of the assets and corresponding accumulated depreciation.

In our opinion, except as explained in the third paragraph and except for the noncompliance referred to in the preceding paragraph, Humphreys 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.

Humphreys 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 for use in evaluating the central purchasing system and inventory control system of Humphreys 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.

Bridgers & Company, P.C.

BRIDGERS & COMPANY, P.C.
Certified Public Accountants
Vicksburg, Mississippi

February 11, 2010

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

Schedule 1

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

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

Schedule 2

Our test results did not identify any emergency purchases.

HUMPHREYS 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.

HUMPHREYS COUNTY

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Humphreys County, Mississippi

In planning and performing our audit of the financial statements of Humphreys County, Mississippi for the year ended September 30, 2008, we considered Humphreys County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Humphreys County, Mississippi's financial reporting, we have performed 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 11, 2010, on the financial statements of Humphreys County, Mississippi.

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

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations and other matters that are opportunities for strengthening internal controls and operating efficiency. Our findings and recommendations and your responses are disclosed below:

Board of Supervisors.

1. Finding

The county failed to file an amended final budget of all funds by October 31, 2008. Also the amended budget should be entered in the minutes by the aforementioned date. The Board of Supervisors must keep expenditures within the limits set by the budget. The amount approved to be expended for any item in the budget must not be exceeded. Failing to file an amended budget caused the county to be in violation of Section 9-11-17, Miss. Code Ann. (1972), because expenditures exceeded the amounts budgeted in the General, Road Maintenance District 2, and Road Maintenance District 3 Funds. The Board may amend the budget by entering the amendment on the minutes using only forms prescribed by the Office of the State Auditor as stated in the Mississippi County Financial Accounting Manual.

Recommendation

The Board of Supervisors should file an amended budget with the Office of the State Auditor and should enter the amended budget on their minutes by October 31 following the year end.

Board of Supervisor's Response

The above recommendation will be implemented immediately.

2. Finding

Section 19-5-21, Miss. Code Ann. (1972), allows the county to levy a tax and/or collect a fee to dispose of solid waste. As reported in prior years' audit reports, a deficit fund balance exists in the garbage and solid waste fund. The deficit amount is \$261,729.

Recommendation

The Board of Supervisors should determine the reasons for the deficit fund balance and take the appropriate actions to reduce the deficit.

Board of Supervisors' Response

The Board is working diligently to resolve the issue of the deficit fund balance in the garbage and solid waste fund.

3. Finding

Section 31-7-124, Miss. Code Ann. (1972), requires the purchase clerk to be bonded in the amount of \$ 75,000. The purchase clerk was bonded in the amount of \$ 25,000..

Recommendation

The Board of Supervisors should ensure that all officials are bonded for the proper amount.

Board of Supervisors' Response

The Board will comply with state statutes.

4. Finding

During cash test work, we were not provided the following information:

- a. Reconciliations between the State Treasurer's quarterly reports and the County's bank deposit records.
- b. Notification to bank officials regarding a 25% or more increase in the average daily bank balance.

Generally accepted accounting principles and good internal control practices dictate that the County reconcile information obtained from outside sources to their internal records. Section 27-105-5, Miss. Code Ann. (1972), requires that public depositories notify the State Treasurer of its official name, address, federal tax identification number, list of all bank accounts with qualified public depositories, and balances in those accounts as of its fiscal year end by October 31 at the latest. The County could be under collateralized and is in noncompliance with state statutes as reported in the last two audit reports.

Recommendation

We recommend that the reconciliations are prepared promptly when reports are received from the State Treasurer's Office, that the banks are notified in writing when an increase of 25% or more is expected in the average daily bank balance and that the annual report is prepared and submitted to the State Treasurer. Documentation of this should be maintained in the files.

Board of Supervisors' Response

The Board will comply with the law.

Chancery Clerk

5. Finding

Section 9-1-43, Miss. Code Ann. (1972), requires funds to have cash available before checks are written. As reported in the prior years' audit reports, checks were written from the garbage and solid waste fund which did not have sufficient cash available, resulting in a deficit cash balance at year end of \$ 267,828.

Recommendation

The Chancery Clerk should ensure that no checks are written when cash is not available in the specific fund.

Chancery Clerk's Response

The Board of Supervisors are aware that no funds are available for this fund because of nonpayment of sanitation bills. However, the county must still pay employee salaries and for sanitation pickup and this is the only fund which can legally pay these claims.

6. Finding

The Chancery Clerk paid individuals for various duties in his office in calendar year 2008. The Chancery Clerk did not withhold or pay social security on these wages. They were not issued a form 1099 or W-2 and this income was not reported to the Internal Revenue Service.

Recommendation

The Chancery Clerk should accurately report all wages he pays to individuals in compliance with federal tax laws.

Chancery Clerk's Response

I will comply with the law.

7. Finding

Title 9, Chapter 1, Section 42 (1), requires that amounts due the county in excess of the salary limitation shall be deposited into the county general fund on or before April 15 for the preceding calendar year. The Chancery Clerk exceeded the salary limitation by \$ 17,082 and has not paid the excess amount to the county.

Recommendation

That the excess amount be paid to the county.

Chancery Clerk's Response

The amounts will be paid as soon as possible.

Sheriff

8. Finding

Title 9, Chapter 25, Section 73 (b), requires that the annual daily cost of feeding prisoners not exceed \$ 6 per day. The computation of meal cost per prisoner per day resulted in a cost of \$ 6.88 per day.

Recommendation

That the Sheriff make necessary changes in food procurement and preparation so as to comply with the \$6 per day limit.

Sheriff's Response

Efforts will be made to comply with the \$6 per day food cost on feeding prisoners.

Humphreys 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.

Bridgers & Company, P.C.
BRIDGERS & COMPANY, P.C.
Certified Public Accountants
Vicksburg, Mississippi

February 11, 2010

HUMPHREYS COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HUMPHREYS COUNTY

Schedule of Findings and Questioned Costs
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 | Adverse |
| | Aggregate discretely presented component units | Adverse |
| | General Fund | Unqualified |
| | E-911 Fund | Unqualified |
| | Aggregate remaining fund information | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness identified? | Yes |
| | b. Significant deficiencies identified that are not considered to be a material weakness? | Yes |
| 3. | Noncompliance material to the financial statements? | Yes |

Federal Awards:

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

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency - Material Weakness

08-1 Finding

The county has not maintained adequate subsidiary records documenting the existence, completeness and valuation of the governmental activities capital assets. Also, the county has not maintained depreciation schedules or reported depreciation expense on the governmental activities' capital assets.

HUMPHREYS COUNTY

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

Recommendation

The Board should take action to insure that capital asset records including accumulated depreciation records be kept in a manner that would provide the information needed for their financial statements.

Board of Supervisor's Response

The Board will address the problems relating to fixed asset inventory by having the subsidiary records corrected to reflect an accurate record of the assets and corresponding accumulated depreciation.

Significant Deficiency - Material Weakness

08-2 Finding

A critical aspect of effective financial management is the maintenance of accurate accounting records. Management does not have personnel that possess the necessary qualifications and training to prepare financial statements in accordance with generally accepted accounting principles. Therefore, since the county personnel lacked the expertise to apply generally accepted accounting principles in recording the entity's financial transactions and adequate controls in place over the recording and reporting of financial records, the risk increases that inaccurate information may be reported and increases the possibility of the loss or misappropriation of public funds.

Recommendation

The Board of Supervisors should establish adequate controls and procedures to ensure that financial transactions are recorded, presented and disclosed in accordance with generally accepted accounting principles.

Board of Supervisors' Response

The Board will establish adequate controls and procedures to ensure that financial transactions are recorded, presented, and disclosed in accordance with generally accepted accounting principles.

Significant Deficiency - Material Weakness

08-3 Finding

As reported in prior years audit reports, the county has interfund loans outstanding that are over one year old. The loans were not repaid when the county received sufficient funds. The Mississippi Code is silent regarding the authority of the county to make these loans.

Recommendation

Failure of the Board of Supervisors to ensure repayment of these loans is an illegal diversion of legally restricted funds. The Board of Supervisors should ensure that each of these loans are repaid by approving and recording in the board minutes a repayment schedule and then complying with the repayment schedule.

Board of Supervisors' Response

The Board is working to correct this finding.

HUMPHREYS COUNTY

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

Significant Deficiency

08-4 Finding

Weak internal controls exist over the receipting, disbursing and recording functions. Failure to implement adequate controls over these functions can cause erroneous information to be included in the financial reports. We noted the following problems with the internal controls.

- a. As reported in prior years' audit reports, a board order dated July 21, 2000, approved repayment of an interfund loan to the General Fund from District 3 Road Fund for lease purchase payments erroneously posted in a prior year. This repayment has not been made. The District 3 fund should repay the General Fund \$10,216.
- b. As reported in prior years' audit reports, a board order dated November 1, 1999, stated that \$ 42,000 was to be loaned to the District 2 Road Fund by District 1 Road Fund and another \$ 42,000 was to be loaned to the District 2 Road Fund by the District 4 Road Fund. These two \$ 42,000 loans were erroneously posted as being made from the countywide road improvement bond proceeds fund. Repayment was to have been made by January, 2000, according to the board minutes. These monies have not been repaid to the proper fund.

Recommendation

The Board of Supervisors should establish a system of internal control to prevent these problems in the future. The cash disbursements ledger should be checked monthly to ensure authorized claims are paid out of the proper fund.

Board of Supervisors' Response

The Board is working to establish these controls.

Material Noncompliance

08-5 Finding

The county failed to include in this report, the financial data of the Humphreys County Memorial Hospital, a component unit of Humphreys County, Mississippi, as required by accounting principles generally accepted in the United States of America.

Recommendation

The county should insure that the financial data of all component units be included in its financial report, as required by accounting principles generally accepted in the United States of America.

Board of Supervisors' Response

Future reports shall contain the financial data of all component units of the county.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.