

ISSAQUENA COUNTY, MISSISSIPPI

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

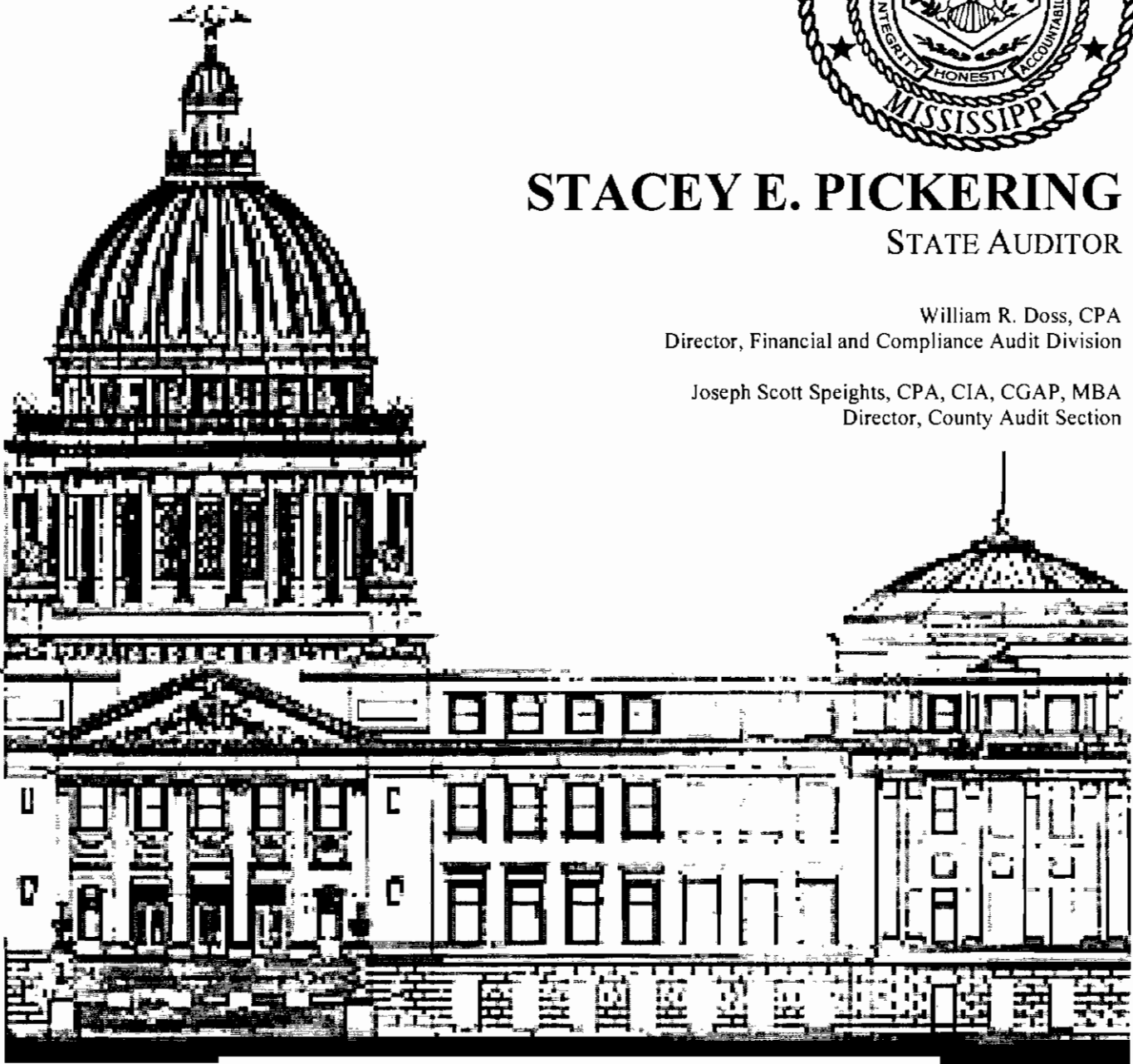


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
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Director, County Audit Section



A Report from the County Audit Section

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ISSAQUENA COUNTY

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ISSAQUENA COUNTY

FINANCIAL SECTION

ISSAQUENA COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Issaquena 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 Issaquena County, Mississippi, as of and for the year ended September 30, 2008, which collectively comprise the county's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We 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.

Management has not maintained adequate subsidiary records documenting the completeness and valuation of the fines receivable of the Justice Court reported on the Statement of Net Assets and in the General Fund at \$27,889. Accounting principles generally accepted in the United States of America require that these fines receivable, net of an allowance for uncollectible receivables, should be recognized when the county has an enforceable legal claim to the resources which would increase the assets, liabilities, fund balance and revenues of the General Fund and would increase the assets, net assets and revenues of the Governmental Activities. The amount by which this departure would affect the assets, liabilities, fund balance and revenues of the General Fund and the net assets, net assets and revenues of the governmental activities is not reasonably determinable.

In our opinion, except for the effects, if any, of the matter described in the third paragraph, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the General Fund of Issaquena 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 addition, 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 and the aggregate remaining fund information of Issaquena County, Mississippi, as of September 30, 2008, and the respective changes in financial position and where applicable, cash flow thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

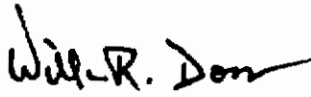
In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2010, on our consideration of Issaquena County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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.

Issaquena County, Mississippi, has not presented Management's Discussion 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 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.



STACEY E. PICKERING
State Auditor



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

June 25, 2010

ISSAQUENA COUNTY

FINANCIAL STATEMENTS

ISSAQUENA COUNTY

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ISSAQUENA COUNTY
Statement of Net Assets
September 30, 2008

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 1,477,374	243,919	1,721,293
Investments		1,992,783	1,992,783
Property tax receivable	1,509,497		1,509,497
Accounts receivable (net of allowance for uncollectibles of \$50,562)	10,805		10,805
Fines receivable (net of allowance for uncollectibles of \$75,302)	27,889		27,889
Loans receivable	30,000		30,000
Intergovernmental receivables	43,964	11,339	55,303
Other receivables	35,095		35,095
Deferred charges - issuance cost		133,840	133,840
Internal balances	14,704	(14,704)	
Capital assets:			
Land	86,272	17,500	103,772
Other capital assets, net	949,358	2,941,888	3,891,246
Total Assets	<u>4,184,958</u>	<u>5,326,565</u>	<u>9,511,523</u>
LIABILITIES			
Claims payable	93,602	109,792	203,394
Amounts held in custody for others	5,414		5,414
Intergovernmental payables	22,781		22,781
Accrued interest payable	737	27,682	28,419
Deferred revenue	1,509,497		1,509,497
Unearned revenue	1,976		1,976
Long-term liabilities			
Due within one year:			
Capital debt	41,617	350,000	391,617
Due in more than one year:			
Capital debt	35,963	2,475,000	2,510,963
Total Liabilities	<u>1,711,587</u>	<u>2,962,474</u>	<u>4,674,061</u>
NET ASSETS			
Invested in capital assets, net of related debt	958,050	134,388	1,092,438
Restricted:			
Expendable:			
General government	41,235		41,235
Debt service	245,736	286,104	531,840
Public safety	141,018	1,943,599	2,084,617
Public works	712,941		712,941
Unrestricted	374,391		374,391
Total Net Assets	<u>\$ 2,473,371</u>	<u>2,364,091</u>	<u>4,837,462</u>

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

ISSAQUENA 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
Primary government:							
Governmental activities:							
General government	\$ 827,505	7,975	204		(819,326)		(819,326)
Public safety	601,172	59,922	16,876		(524,374)		(524,374)
Public works	901,857	47,261	605,980	55,640	(192,976)		(192,976)
Health and welfare	110,792		11,255		(99,537)		(99,537)
Culture and recreation	22,375				(22,375)		(22,375)
Conservation of natural resources	48,037				(48,037)		(48,037)
Economic development and assistance	1,265				(1,265)		(1,265)
Interest on long-term debt	4,150				(4,150)		(4,150)
Total Governmental Activities	2,517,153	115,158	634,315	55,640	(1,712,040)	0	(1,712,040)
Business-type activities:							
Regional Correctional Facility	3,410,769	3,362,714				(48,055)	(48,055)
Total Business-type Activities	3,410,769	3,362,714	0	0	0	(48,055)	(48,055)
Total Primary Government	\$ 5,927,922	3,477,872	634,315	55,640	(1,712,040)	(48,055)	(1,760,095)
General revenues:							
Property taxes					\$ 1,324,186		1,324,186
Road & bridge privilege taxes					18,651		18,651
Grants and contributions not restricted to specific programs					65,365		65,365
Unrestricted interest income					8,998		8,998
Unrestricted investment income						32,150	32,150
Miscellaneous					34,564	62,716	97,280
Total General Revenues					1,451,764	94,866	1,546,630

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

(Exhibit 2 Continued)

	Net (Expense) Revenue and Changes in Net Assets		
	Primary Governmental Activities	Business-type Activities	Total
Changes in Net Assets	(260,276)	46,811	(213,465)
Net Assets - Beginning	2,791,019	2,317,280	5,108,299
Prior period adjustment	(57,372)	0	(57,372)
Net Assets - Beginning, as restated	2,733,647	2,317,280	5,050,927
Net Assets - Ending	\$ 2,473,371	2,364,091	4,837,462

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

ISSAQUENA COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2008

Exhibit 3

	<u>Major Fund</u>	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
ASSETS			
Cash	\$ 330,476	1,146,898	1,477,374
Property tax receivable	1,368,484	141,013	1,509,497
Accounts receivable (net of allowance for uncollectibles of \$50,562)		10,805	10,805
Fines receivable (net of allowance for uncollectibles of \$75,302)	27,889		27,889
Loans receivable	30,000		30,000
Intergovernmental receivables	21,033	22,931	43,964
Other receivables	683	346	1,029
Due from other funds	48,770	2,331	51,101
Total Assets	<u>\$ 1,827,335</u>	<u>1,324,324</u>	<u>3,151,659</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Claims payable	\$ 12,699	80,903	93,602
Amounts held in custody for others	5,414		5,414
Intergovernmental payables	22,781		22,781
Due to other funds	2,331		2,331
Deferred revenue	1,396,373	151,818	1,548,191
Unearned revenue		1,976	1,976
Total Liabilities	<u>1,439,598</u>	<u>234,697</u>	<u>1,674,295</u>
Fund balances:			
Reserved for:			
Debt service		246,473	246,473
Loans receivable	30,000		30,000
Unreserved - undesignated, reported in:			
General Fund	357,737		357,737
Special Revenue Funds		843,154	843,154
Total Fund Balances	<u>387,737</u>	<u>1,089,627</u>	<u>1,477,364</u>
Total Liabilities and Fund Balances	<u>\$ 1,827,335</u>	<u>1,324,324</u>	<u>3,151,659</u>

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

ISSAQUENA 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	\$ 1,477,364
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$1,644,856.	1,035,630
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	38,694
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(77,580)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(737)</u>
Total Net Assets - Governmental Activities	\$ <u>2,473,371</u>

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

ISSAQUENA COUNTY

Exhibit 4

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

	<u>Major Fund</u>		Total Governmental Funds
	General Fund	Other Governmental Funds	
REVENUES			
Property taxes	\$ 1,240,412	83,774	1,324,186
Road and bridge privilege taxes		18,651	18,651
Licenses, commissions and other revenue	22,302		22,302
Fines and forfeitures	36,672		36,672
Intergovernmental revenues	41,520	713,800	755,320
Charges for services	54,299	47,626	101,925
Interest income	8,998		8,998
Miscellaneous revenues	18,155	16,409	34,564
Total Revenues	<u>1,422,358</u>	<u>880,260</u>	<u>2,302,618</u>
EXPENDITURES			
Current:			
General government	809,614		809,614
Public safety	456,572	107,915	564,487
Public works	5,553	885,407	890,960
Health and welfare	110,792		110,792
Culture and recreation	22,375		22,375
Conservation of natural resources	48,037		48,037
Economic development and assistance	1,265		1,265
Debt service:			
Principal	30,057	3,574	33,631
Interest	4,559	126	4,685
Total Expenditures	<u>1,488,824</u>	<u>997,022</u>	<u>2,485,846</u>
Excess of Revenues over (under) Expenditures	<u>(66,466)</u>	<u>(116,762)</u>	<u>(183,228)</u>
OTHER FINANCING SOURCES (USES)			
Long-term capital debt issued		20,400	20,400
Transfers in		150,949	150,949
Transfers out		(150,949)	(150,949)
Total Other Financing Sources and Uses	<u>0</u>	<u>20,400</u>	<u>20,400</u>
Net Changes in Fund Balances	(66,466)	(96,362)	(162,828)
Fund Balances - Beginning	<u>454,203</u>	<u>1,185,989</u>	<u>1,640,192</u>
Fund Balances - Ending	<u>\$ 387,737</u>	<u>1,089,627</u>	<u>1,477,364</u>

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

ISSAQUENA 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	\$ (162,828)
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 \$105,673 exceeded capital outlays of \$40,200 in the current period.	(65,473)
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.	(49,493)
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	3,752
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 \$33,631 exceeded debt proceeds of \$20,400.	13,231
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.	<u>535</u>
Change in Net Assets of Governmental Activities	\$ <u><u>(260,276)</u></u>

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

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

Exhibit 5

	Business-type Activities - Enterprise Fund Issaquena County Correctional Facility Fund
ASSETS	
Current assets:	
Cash	\$ 243,919
Investments	1,992,783
Intergovernmental receivables	11,339
Total Current Assets	<u>2,248,041</u>
Noncurrent assets:	
Deferred charges - bond issuance cost	133,840
Capital assets:	
Land and construction in progress	17,500
Other capital assets, net	2,941,888
Total Noncurrent Assets	<u>3,093,228</u>
Total Assets	<u>5,341,269</u>
LIABILITIES	
Current liabilities:	
Claims payable	109,792
Due to other funds	14,704
Accrued interest payable	27,682
Capital debt:	
Other long-term liabilities	350,000
Total Current Liabilities	<u>502,178</u>
Noncurrent liabilities:	
Capital debt:	
Other long-term liabilities	2,475,000
Total Noncurrent Liabilities	<u>2,475,000</u>
NET ASSETS	
Invested in capital assets, net of related debt	134,388
Restricted for:	
Debt service	286,104
Public safety	1,943,599
Total Net Assets	<u>\$ 2,364,091</u>

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

ISSAQUENA 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> Issaquena County Correctional Facility Fund
Operating Revenues	
Charges for services	\$ 3,362,714
Miscellaneous	62,716
Total Operating Revenues	<u>3,425,430</u>
Operating Expenses	
Personal services	1,491,540
Contractual services	564,799
Materials and supplies	1,068,893
Depreciation expense	82,315
Indirect administrative cost	14,704
Total Operating Expenses	<u>3,222,251</u>
Operating Income (Loss)	<u>203,179</u>
Nonoperating Revenues (Expenses)	
Interest income	32,150
Interest expense	(169,398)
Amortization of deferred charges - bond issuance cost	(19,120)
Net Nonoperating Revenue (Expenses)	<u>(156,368)</u>
Changes in Net Assets	46,811
Net Assets - Beginning	<u>2,317,280</u>
Net Assets - Ending	<u>\$ 2,364,091</u>

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

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

Exhibit 7

	Business-type Activities - Enterprise Fund Issaquena County Correctional Facility Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 3,647,623
Payments to suppliers	(1,523,900)
Payments to employees	(1,569,459)
Other miscellaneous cash receipts	62,716
Net Cash Provided (Used) by Operating Activities	<u>616,980</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds of long-term debt	2,825,731
Principal paid on long-term debt	(3,280,000)
Interest paid on debt	(167,691)
Bond issuance costs	(152,960)
Other receipts (payments)	(5,458)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(780,378)</u>
Cash Flows From Investing Activities	
Interest and dividends on investments	38,050
Net Cash Provided (Used) by Investing Activities	<u>38,050</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(125,348)
Cash and Cash Equivalents at Beginning of Year	<u>2,362,050</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,236,702</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 203,179
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	82,315
Changes in assets and liabilities:	
(Increase) decrease in intergovernmental receivables	284,909
Increase (decrease) in claims payable	31,873
Increase (decrease) in interfund payables	14,704
Total Adjustments	<u>413,801</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 616,980</u>

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

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

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 49,819
Intergovernmental receivables	89
Total Assets	<u>\$ 49,908</u>
LIABILITIES	
Amounts held in custody for others	\$ 15,842
Due to other funds	34,066
Total Liabilities	<u>\$ 49,908</u>

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

ISSAQUENA COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Issaquena 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 Issaquena County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county. There are no outside organizations that should be included as component units of the county's reporting entity.

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 Issaquena County Public Improvement Corporation is governed by a three-member board appointed by the Issaquena County Board of Supervisors. Although it is legally separate from the county, the corporation is reported as if it were part of the primary government because its sole purpose is to finance and construct county public buildings.

The Issaquena County Regional Correctional Facility Financing Corporation is governed by a three-member board appointed by the Issaquena County Board of Supervisors. Although it is legally separate from the county, the corporation is reported as if it were part of the primary government because its sole purpose is to finance and construct a regional correctional facility.

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.

ISSAQUENA 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 or 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 Enterprise Fund and business-type activities 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.

ISSAQUENA 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 are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Fund:

General Fund - This fund is used to account for all activities of the general government for which a separate fund has not been established.

The county reports the following major Enterprise Fund:

Issaquena County Correctional Facility - The correctional facility fund accounts for the county's activities of housing prisoners on a contract basis for the MS Department of Corrections and others.

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 TYPE

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

FIDUCIARY FUND TYPE

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

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.

ISSAQUENA COUNTY

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

F. Deposits and Investments.

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

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

G. Receivables.

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

H. Interfund Transactions and Balances.

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

I. Restricted Assets.

Proprietary Fund and component unit assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use unrestricted assets first.

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

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

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.

ISSAQUENA COUNTY

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

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
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

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

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. Bond issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

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

ISSAQUENA COUNTY

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

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

O. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee benefits; however, adequate records are not maintained for determining the amount of the liability. Therefore, no liability is recorded in the accompanying financial statements as required by accounting principles generally accepted in the United States of America. We believe the effects of the unrecorded liability on the financial statements are immaterial.

ISSAQUENA COUNTY

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

(2) Prior Period Adjustment.

A summary of significant fund equity adjustment is as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
To correct errors in capital assets, net of depreciation - governmental activities	\$ (57,372)
Total prior period adjustment	<u>\$ (57,372)</u>

(3) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2008, was \$1,771,112, and the bank balance was \$1,935,914. 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.

Investments:

As provided in Section 91-13-8, Miss. Code Ann. (1972), the following investments of the county are handled through a trust indenture between the county and the trustee related to the operations of the Issaquena County Regional Correctional Facility.

Investments balances at September 30, 2008, are as follows:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
Hancock Horizon Treasury Securities Money Market Mutual Fund	Less than One Year	\$ 1,992,783	AAAm

Interest Rate Risk. The county does not have a formal investment policy that limits investment 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 Sections 19-9-29 and 91-13-8, 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.

ISSAQUENA COUNTY

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

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. Of the county's investments, all of the underlying securities were uninsured, unregistered, and held in trust accounts by the investment's counterparty on behalf of the county, not in the name of the county.

(4) 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>
General	Agency Funds	\$ 34,066
General	Issaquena County Correctional Facility	14,704
Other Governmental Funds	General	<u>2,331</u>
Total		<u>\$ 51,101</u>

The receivable from the Agency Funds to the General Fund represents monies owed to the General Fund from the Payroll Clearing Fund to correct a deposit made in error. The receivables from the General Fund to the Other Governmental Funds represent the tax revenue collected but not settled until October, 2008. The receivable from the Issaquena County Correctional Facility Fund to the General Fund represents indirect cost owed by the Issaquena County Correctional Facility Fund. 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>
Other Governmental Funds	Other Governmental Funds	\$ <u>150,949</u>
Total		<u>\$ 150,949</u>

The purpose of the transfer was to cover operating expenses. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

ISSAQUENA COUNTY

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

(5) Intergovernmental Receivables.

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

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 9,436
Reimbursement for housing prisoners	7,080
Additional privilege tax	3,493
Harvest permits	1,043
Emergency management funds	658
Food stamp reimbursement	1,786
Motor vehicle fuel tax distribution	10,737
Community development block grant	<u>9,731</u>
Total Governmental Activities	\$ <u>43,964</u>
Business-type Activities:	
Reimbursement for housing prisoners	<u>\$ 11,339</u>
Total Business-type Activities	\$ <u>11,339</u>

(6) Loans Receivable.

Loans receivable balances at September 30, 2008, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Receivable Balance</u>
Town of Mayersville	10/30/1998	N/A	10/01/2018	\$ <u>30,000</u>
Total				\$ <u>30,000</u>

(7) Capital Assets.

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

Governmental activities:

	<u>Balance Oct. 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments *</u>	<u>Balance Sept. 30, 2008</u>
Non-depreciable capital assets:					
Land	\$ 86,272				86,272
Total non-depreciable capital assets	<u>86,272</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>86,272</u>
Depreciable capital assets:					
Buildings	737,242			(120,899)	616,343
Improvements other than buildings	382,361				382,361
Mobile equipment	1,356,696	11,800			1,368,496

ISSAQUENA COUNTY

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

	Balance Oct. 1, 2007	Additions	Deletions	Adjustments *	Balance Sept. 30, 2008
Furniture and equipment	142,060	8,000			150,060
Leased property under capital leases	56,554	20,400			76,954
Total depreciable capital assets	<u>2,674,913</u>	<u>40,200</u>	<u>0</u>	<u>(120,899)</u>	<u>2,594,214</u>
<u>Less accumulated depreciation for:</u>					
Buildings	315,115	9,312		(63,527)	260,900
Improvements other than buildings	145,457	15,293			160,750
Mobile equipment	1,041,825	57,243			1,099,068
Furniture and equipment	84,317	13,990			98,307
Leased property under capital leases	15,996	9,835			25,831
Total accumulated depreciation	<u>1,602,710</u>	<u>105,673</u>	<u>0</u>	<u>(63,527)</u>	<u>1,644,856</u>
Total depreciable capital assets, net	<u>1,072,203</u>	<u>(65,473)</u>	<u>0</u>	<u>(57,372)</u>	<u>949,358</u>
Governmental activities capital assets, net	<u>\$ 1,158,475</u>	<u>(65,473)</u>	<u>0</u>	<u>(57,372)</u>	<u>1,035,630</u>
Business-type activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 17,500				17,500
Total non-depreciable capital assets	<u>17,500</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>17,500</u>
<u>Depreciable capital assets:</u>					
Buildings	3,851,891				3,851,891
Mobile equipment	86,124				86,124
Furniture and equipment	56,074				56,074
Total depreciable capital assets	<u>3,994,089</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,994,089</u>
<u>Less accumulated depreciation for:</u>					
Buildings	856,802	77,038			933,840
Mobile equipment	65,744	3,923			69,667
Furniture and equipment	47,340	1,354			48,694
Total accumulated depreciation	<u>969,886</u>	<u>82,315</u>	<u>0</u>	<u>0</u>	<u>1,052,201</u>
Total depreciable capital assets, net	<u>3,024,203</u>	<u>(82,315)</u>	<u>0</u>	<u>0</u>	<u>2,941,888</u>
Business-type activities capital assets, net	<u>\$ 3,041,703</u>	<u>(82,315)</u>	<u>0</u>	<u>0</u>	<u>2,959,388</u>

* Adjustments to capital assets were for the removal of cost and accumulated depreciation of buildings below the capitalization threshold.

ISSAQUENA COUNTY

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

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 25,891
Public safety	36,685
Public works	<u>43,097</u>
Total governmental activities depreciation expense	<u>\$ 105,673</u>
Business-type activities:	
Correctional facility	<u>\$ 82,315</u>
Total business-type activities depreciation expense	<u>\$ 82,315</u>

(8) 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.

(9) 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	\$ 20,400
Furniture and equipment	<u>56,554</u>
Total	76,954
Less: Accumulated depreciation	<u>25,831</u>
Leased Property Under Capital Leases	<u>\$ 51,123</u>

ISSAQUENA COUNTY

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

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	\$ 18,117	1,637
2010	18,863	894
2011	12,100	178
Total	<u>\$ 49,080</u>	<u>2,709</u>

(10) Long-term Debt.

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

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. Limited Obligation Note:			
Detention facility *	\$ 26,000	6.80%	05/2010
Total Limited Obligation Note	<u>\$ 26,000</u>		
B. Equipment Notes:			
Asphalt spreader	\$ 2,500	0.00%	01/2009
Total Equipment Notes	<u>\$ 2,500</u>		
C. Capital Leases:			
AS400 computer upgrade	\$ 29,754	4.19%	03/2011
New Holland backhoe	19,326	3.74%	08/2011
Total Capital Leases	<u>\$ 49,080</u>		
Business-type Activities:			
Limited Obligation Bonds:			
Series 2008 correctional facility refunding bonds **	\$ 2,825,000	4.00/4.375%	07/2016
Total Limited Obligation Bonds	<u>\$ 2,825,000</u>		

ISSAQUENA 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	Limited Obligation Note		Equipment Note	
	Principal	Interest	Principal	Interest
2009	\$ 21,000	1,768	2,500	
2010	5,000	340		
Total	\$ 26,000	2,108	2,500	0

Business-type Activities:

Year Ending September 30	Limited Obligation Bonds	
	Principal	Interest
2009	\$ 350,000	113,642
2010	355,000	101,244
2011	365,000	85,712
2012	380,000	70,200
2013	380,000	55,000
2014 - 2018	995,000	71,800
Total	\$ 2,825,000	497,598

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 less than 1% of the latest property assessments.

* A limited obligation promissory note, designed as “qualified tax exempt obligations” for the purpose of Section 265 of the Internal Revenue Code of 1986, was issued with a face value of \$200,000 for the purpose of financing the construction of a new county jail. The note is not a general obligation of the county and, therefore, is not secured by the full faith and credit of the county. However, the county, as lessee, is obligated pursuant to a 15-year lease purchase agreement with the lessor, Issaquena County Public Improvement Corporation, as the sole source of the payment for the note; therefore, the lease obligation is not recorded. Instead, the note is considered, in substance, a limited debt obligation of the county. Title to the property will transfer to the county upon satisfactory performance of the lease term payments.

** Limited obligation urban renewal revenue refunding bonds were issued with a face value of \$2,825,000 for the purpose of the refunding and redemption of the outstanding principal of the county’s Urban Renewal Revenue Bonds (Issaquena County, MS Regional Correctional Facility project), Series 1996, dated February 1, 1996, at par plus accrued interest. The bonds are not a general obligation of the county and, therefore, are not secured by the full faith 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.

ISSAQUENA COUNTY

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

Current Refunding - On July 10, 2008, the county issued \$2,825,000 in Urban Renewal Revenue Refunding Bonds with an average interest rate of 4.05% to refund \$2,990,000 of the following outstanding bond issue:

Issue	Average Interest Rate	Outstanding Amount Refunded
Correctional Facility Urban Renewal Bonds	6.33%	\$ 2,990,000

The county also used \$392,310 from monies already accumulated in the Issaquena County Correctional Facility Fund to effectuate the refunding/redemption of these bonds.

The county refunded the above bonds to reduce its total debt service payments over the next 8 years by almost \$295,966 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$90,557.

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:						
Limited obligation note	\$ 45,000		19,000		26,000	21,000
Equipment notes	5,000		2,500		2,500	2,500
Capital leases	40,811	20,400	12,131		49,080	18,117
Total	<u>\$ 90,811</u>	<u>20,400</u>	<u>33,631</u>	<u>0</u>	<u>77,580</u>	<u>41,617</u>
Business-type Activities:						
Limited obligation bonds	\$ 3,280,000	2,825,000	3,280,000		2,825,000	350,000
Total	<u>\$ 3,280,000</u>	<u>2,825,000</u>	<u>3,280,000</u>	<u>0</u>	<u>2,825,000</u>	<u>350,000</u>

(11) Deficit Fund Balances of Individual Funds.

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

Fund	Deficit Amount
Solid Waste Tire Grant	\$ 7,275

(12) Contingencies.

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

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

ISSAQUENA COUNTY

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

(13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Delta Community Mental Health Services operates in a district composed of the Counties of Bolivar, Issaquena, Sharkey and Washington. The Issaquena County Board of Supervisors appoints one of the four members of the board of Commissioners. The county appropriated \$20,000 for support in fiscal year 2008.

Mississippi Delta Community College operates in a district composed of the Counties of Bolivar, Coahoma, Humphreys, Issaquena, Leflore, Sharkey, Sunflower and Washington. The Issaquena County Board of Supervisors appoints one of the 20 members of the college board of trustees. The county appropriated \$49,127 for maintenance and support of the college 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 Issaquena County Board of Supervisors appoints three of the 22 members of the board of directors. The county appropriated \$1,265 for support in fiscal year 2008.

The 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 Issaquena County Board of Supervisors appoints one of the 21 members of the board of commissioners. The county levied a .61 mill tax for support in fiscal year 2008.

(14) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2008 was 11.85% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2008, 2007 and 2006 were \$212,430, \$198,932 and \$189,226, respectively, equal to the required contributions for each year.

(15) Subsequent Event.

Subsequent to September 30, 2008, Issaquena County issued the following debt obligation:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
02/27/2009	7.10%	\$ 30,311	Capital lease	Ad valorem taxes

ISSAQUENA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

ISSAQUENA 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	\$ 1,276,096	1,245,983	1,245,983	
Licenses, commissions and other revenue	24,647	20,209	20,209	
Fines and forfeitures	25,727	30,976	30,976	
Intergovernmental revenues	28,147	121,518	121,518	
Charges for services		47,219	47,219	
Interest income	10,187	9,481	9,481	
Miscellaneous revenues	28,183	20,418	20,418	
Total Revenues	<u>1,392,987</u>	<u>1,495,804</u>	<u>1,495,804</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	1,037,789	916,443	916,443	
Public safety	442,273	457,008	457,008	
Public works	21,625	5,548	5,548	
Health and welfare	100,450	111,084	111,084	
Culture and recreation	24,875	22,375	22,375	
Education		22,925	22,925	
Conservation of natural resources	51,357	48,314	48,314	
Economic development and assistance	1,265	1,265	1,265	
Total Expenditures	<u>1,679,634</u>	<u>1,584,962</u>	<u>1,584,962</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(286,647)</u>	<u>(89,158)</u>	<u>(89,158)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers out		(34,066)	(34,066)	
Total Other Financing Sources and Uses	<u>0</u>	<u>(34,066)</u>	<u>(34,066)</u>	<u>0</u>
Net Change in Fund Balance	(286,647)	(123,224)	(123,224)	0
Fund Balances - Beginning	<u>308,966</u>	<u>416,865</u>	<u>416,865</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 22,319</u>	<u>293,641</u>	<u>293,641</u>	<u>0</u>

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

ISSAQUENA 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. 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:

	Governmental Fund Type <u>General Fund</u>
Budget (Cash Basis)	\$ (123,224)
Increase (Decrease)	
Net adjustments for revenue accruals	(50,523)
Net adjustments for expenditure accruals	<u>107,281</u>
GAAP Basis	<u>\$ (66,466)</u>

ISSAQUENA COUNTY

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ISSAQUENA COUNTY

SPECIAL REPORTS

ISSAQUENA COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Members of the Board of Supervisors
Issaquena 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 Issaquena 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 June 25, 2010. The report is qualified on the General Fund because the county did not maintain adequate subsidiary records documenting the completeness and valuation of certain fines receivable as required by accounting principles generally accepted in the United States of America. 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 Issaquena 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 Responses, as items 08-1, 08-2, 08-3, 08-4, 08-5, 08-6, 08-7 and 08-8 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, 08-3 and 08-4 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Issaquena County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

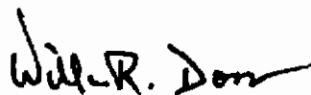
However, we noted certain matters that we reported to the management of Issaquena County, Mississippi in the Limited Internal Control and Compliance Review Management Report dated June 25, 2010, included within this document.

Issaquena County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Issaquena 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.



STACEY E. PICKERING
State Auditor



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

June 25, 2010



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Members of the Board of Supervisors
Issaquena County, Mississippi

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

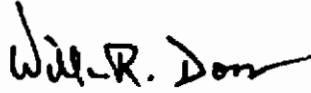
In our opinion, Issaquena County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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 Issaquena 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.



STACEY E. PICKERING
State Auditor



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

June 25, 2010

ISSAQUENA COUNTY

Schedule I

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

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

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

Schedule 2

Our test results did not identify any emergency purchases.

Schedule of Purchases Made Noncompetitively From a Sole Source

For the Year Ended September 30, 2008

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

ISSAQUENA COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Issaquena County, Mississippi

In planning and performing our audit of the financial statements of Issaquena County, Mississippi for the year ended September 30, 2008, we considered Issaquena 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 Issaquena 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 June 25, 2010, on the financial statements of Issaquena 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 that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

I. Finding

Section 19-3-27, Miss. Code Ann. (1972), requires a complete and correct record be maintained for the proceedings of the Board of Supervisors. The following deficiencies were noted in the board minutes. Interfund transfers were made without board authorization spread on the minutes. The failure to properly document authorization for interfund transfers could result in erroneous amounts being reported and increases the possibility of the loss or misappropriation of public funds

Recommendation

The Board of Supervisors should spread orders on the minutes relative to interfund transfers.

Board of Supervisors' Response

We will comply in the future.

2. Finding

Article 4, Section 109 of the Miss. Constitution of 1890, states, in part, that no public officer ... shall be interested, directly or indirectly, in any contract with the State, or any district, county, city or town authorized by any law passed or order made by any board of which he may be or may have been a member, during the term for which he shall have been chosen, or within one year after the expiration of such term. Section 25-4-105(2), Miss. Code Ann. (1972), states that no public servant shall be interested, directly or indirectly, during the term for which he shall have been chosen, or within one year after the expiration of such term, in any contract with the state, or any district, county, city or town thereof, authorized by any law passed or order made by any board of which he may be or may have been a member. A member of the Board of Supervisors has a potential direct or indirect interest in a business that is contracting with the county when he has an ownership interest in the facility in which the business is located, due to the business being owned by the member's son. Purchasing from a business that a county supervisor has a direct or indirect interest results in a loss of public funds for which the supervisor is personally liable.

Recommendation

The Board of Supervisors should not contract with any business in which a member of the board has a direct or indirect interest unless the goods or services involved are reasonably available from two or fewer commercial sources.

Board of Supervisors' Response

We do not do business with this store anymore.

Chancery Clerk.

3. Finding

Section 27-45-1, Miss. Code Ann. (1972), requires the Chancery Clerk to make land redemption settlements within 20 days after the end of each month and to make a complete report thereof to the board of supervisors. As reported in the last nine years' audit reports, the Chancery Clerk did not make timely settlements and did not file a complete report to the Board of Supervisors. Failure to perform timely settlements of funds collected and reporting those settlements to the Board of Supervisors increases the possibility of loss or misappropriation of public funds.

Recommendation

The Chancery Clerk should make timely settlements and a complete report to the Board of Supervisors.

Chancery Clerk's Response

I will comply.

4. Finding

Section 27-31-85, Miss. Code Ann. (1972), requires the Chancery Clerk to settle one-half of mineral documentary tax collections to the General Fund and one-half to the schools after retaining 5% of the collection. As reported in the last eight years' audit reports, mineral stamp collections were not settled properly. Failure to settle mineral stamp collections properly could result in loss or misuse of public funds.

Recommendation

The Chancery Clerk should settle mineral stamp collections properly.

Chancery Clerk's Response

I will comply.

5. Finding

Section 7-7-221, Miss. Code Ann. (1972), requires the Clerk of the Board to publish a synopsis of the annual audit report as soon as possible after receipt of the report. The Clerk of the Board shall forward a copy of the published synopsis to the State Auditor. The 2007 audit report was released on September 10, 2008. The Chancery Clerk has not published a synopsis of the annual report. If the synopsis is not published accordingly, the State Auditor is authorized to prepare the synopsis and have it published in accordance with Section 7-7-221 at the cost to the county.

Recommendation

The Chancery Clerk should publish a synopsis of the annual audit report when the report is received, and forward the synopsis to the State Auditor.

Chancery Clerk's Response

I will comply.

Tax Assessor-Collector.

6. Finding

Section 27-53-17, Miss. Code Ann. (1972), describes the seizure, sale, notices required, period of redemption, interest, penalties and other costs of collection assessed for nonpayment of delinquent mobile home taxes. As reported in the last eight years' audit reports, the Tax Assessor-Collector did not sell mobile homes for taxes. Failure to enforce statutory procedures for collecting mobile home taxes could result in loss of public funds.

Recommendation

The Tax Assessor-Collector should enforce statutory procedures for collecting mobile home taxes.

Tax Collector's Response

I will comply.

7. Finding

Sections 27-49-1 and 27-49-9, Miss. Code Ann. (1972), specify the actions to be taken for the sale of property, real or personal, of business taxpayers who are either insolvent or delinquent. As reported in the last six years' audit reports, we found no evidence that the Tax Assessor-Collector seized and sold property in order to collect delinquent business taxes. Failure to enforce statutory procedures for collection of delinquent business taxes could result in the loss of public funds.

Recommendation

The Tax Assessor-Collector should make a concerted effort to collect delinquent business taxes by following statutory procedures pertaining to the seizure and sale of property.

Tax Assessor-Collector's Response

I will comply.

Circuit Clerk.

8. Finding

Sections 9-7-135, 9-13-21 and 11-7-217, Miss. Code Ann. (1972), require the Circuit Clerk to promptly settle all collections of fines and court costs into the county treasury after the end of each court term. As reported in the last nine years' audit reports, the Circuit Clerk did not make timely settlements of fines and court costs. Failure to make timely settlements could result in loss or misuse of public funds.

Recommendation

The Circuit Clerk should settle all collections when required.

Circuit Clerk's Response

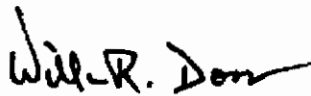
I will comply.

Issaquena 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.



STACEY E. PICKERING
State Auditor



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

June 25, 2010

ISSAQUENA COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

ISSAQUENA COUNTY

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ISSAQUENA 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 |
| | General Fund | Qualified |
| | Aggregate remaining fund information | Unqualified |
| 2. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | Yes |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | Yes |
| 3. | Noncompliance material to the financial statements noted? | No |

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency - Material Weakness

08-1. Finding

A critical aspect of effective financial management is the preparation of accurate financial statements. Management did not have personnel that possessed the necessary expertise to prepare financial statements in accordance with generally accepted accounting principles. Due to the fact that county personnel lacked the expertise to apply generally accepted accounting principles in preparing its financial statements, the risk increases that inaccurate information may be reported.

Recommendation

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

Board of Supervisors' Response

For fiscal year 2009, we have employed a third party to do these.

ISSAQUENA COUNTY

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

Significant Deficiency - Material Weakness

08-2. Finding

An effective system of internal control over fines receivable records should include maintaining adequate subsidiary records to substantiate the total fines receivable balance. Management did not maintain adequate subsidiary records documenting the completeness and valuation of fines receivable for Justice Court fines and the aging of fines receivable. Therefore, the Independent Auditors' report on the General Fund is qualified because we were not able to satisfy ourselves as to the fair presentation of the Justice Court fines receivable.

Recommendation

The Board of Supervisors should establish procedures documenting the completeness and valuation of Justice Court fines receivable records, including the aging schedules for the Justice Court fines receivable.

Board of Supervisors' Response

We will comply.

Chancery Clerk.

Significant Deficiency - Material Weakness

08-3. Finding

An effective system of internal control over financial reporting should include an adequate separation of duties in the collection, deposit preparation, disbursement, recording and reconciling functions. As reported in the last 12 years' audit reports, there is not an adequate separation of duties in the handling of transactions. One employee issues and posts all receipts and disbursements. The same employee reconciles the bank accounts. The lack of segregation of duties increases the chances that funds could be mishandled.

Recommendation

The Chancery Clerk should ensure that there is an adequate separation of duties in the collection, deposit preparation, disbursement, recording and reconciling functions. If a separation of duties is not possible, another employee or the Chancery Clerk should review receipts, disbursements and reconciliations periodically and investigate any unusual items.

Chancery Clerk's Response

I will comply.

Significant Deficiency - Material Weakness

08-4. Finding

An effective system of internal control should ensure that all bank accounts containing county funds are properly recorded in the general ledger. The county maintains a bank account for grant activities that does not run through the county's general ledger. Failure to record all funds in the general ledger could result in misstatement of the financial statements or misappropriation of funds. The auditor proposed adjustments to the financial statements which were made by the county to record these transactions.

ISSAQUENA COUNTY

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

Recommendation

The Chancery Clerk should ensure that all transactions are recorded in the county's general ledger.

Chancery Clerk's Response

I will comply.

Significant Deficiency

08-5. Finding

The county has adopted a policy of compensated absences for its employees. The Chancery Clerk, as county auditor and treasurer, should maintain records that account for the number of leave hours each employee accumulates on a monthly basis and the current hourly rate of pay for each employee. This information is needed to calculate the end of year compensated absences liability which is derived by multiplying the number of accumulated leave hours for each employee (up to the maximum that will be compensated upon leaving employment) times the current hourly rate of pay for each employee. Accounting principles generally accepted in the United States of America require the resulting liability to be reported in the financial statements. As reported in the last ten years' audit reports, the Chancery Clerk did not maintain the necessary records to calculate the compensated absence liability. Failure to properly account for compensated absences could result in the incorrect payments being made to employees leaving county service, as well as not reporting the compensated absence liability in the financial statements.

Recommendation

The Chancery Clerk should maintain adequate records so the total compensated absences liability can be calculated and reported in the financial statements as required by accounting principles generally accepted in the United States of America.

Chancery Clerk's Response

We are now complying.

Tax Assessor-Collector.

Significant Deficiency

08-6. Finding

An effective system of internal control should include an adequate segregation of duties in the collection, deposit preparation and recording functions. As reported in the last ten years' audit reports, there is not an adequate segregation of duties in the collection, deposit preparation and recording functions. Failure to properly segregate accounting duties increases the chance that funds could be mishandled.

Recommendation

The Tax Assessor-Collector should ensure that there is an adequate segregation of duties in the collection, deposit preparation and recording functions.

Tax Assessor-Collector's Response

I will comply.

ISSAQUENA COUNTY

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

Justice Court Clerk.

Significant Deficiency

08-7. Finding

An effective system of internal control should include an adequate separation of duties in the collection, deposit preparation and recording functions. As reported in the last seven years' audit reports, there is not an adequate segregation of duties in the collection, deposit preparation and recording functions. Failure to properly segregate accounting duties increases the chance that funds could be mishandled.

Recommendation

The Justice Court Clerk should ensure that there is an adequate separation of duties in the collection, deposit preparation, and recording functions. If a segregation of duties is not possible, the Chancery Clerk, as county auditor, should review the Justice Court Clerk's records periodically and investigate any unusual items.

Justice Court Clerk's Response

As of November, 2009, we now have a full-time person in Justice Court other than me.

Sheriff.

Significant Deficiency

08-8. Finding

An effective system of internal control over the collection, recordkeeping, custody and disbursement of local inmate funds should include maintaining individual accounts for each inmate, maintaining a control account for local inmate funds, depositing funds received in a bank account and establishing physical safeguards over any funds on hand. It should also include reconciling individual accounts with the control account and reconciling the control account to the funds on hand. Local inmate funds were not deposited in a bank account when received nor were funds on hand reconciled to inmate records to determine that all funds were accounted for. Failure to establish adequate controls over local inmate funds could result in the loss of these funds for which the county could be held liable.

Recommendation

The Sheriff should ensure that adequate controls are implemented over the collection, recordkeeping, custody and disbursement of local inmate funds by maintaining individual account records for each inmate, maintaining a control account for local inmate funds, depositing funds received in a bank account in a timely manner and establishing physical safeguards over funds on hand. The individual inmate accounts should be reconciled to a control account and the total in the control account should be reconciled to the bank balance.

Sheriff's Response

We are complying by these means. Local inmate funds are now deposited in a bank account. Deposits are being made in a timely manner. We have always kept an individual account on all inmates here at ICCF. We are now setting up a way to reconcile individual accounts with bank balances.