

# SHARKEY COUNTY, MISSISSIPPI

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

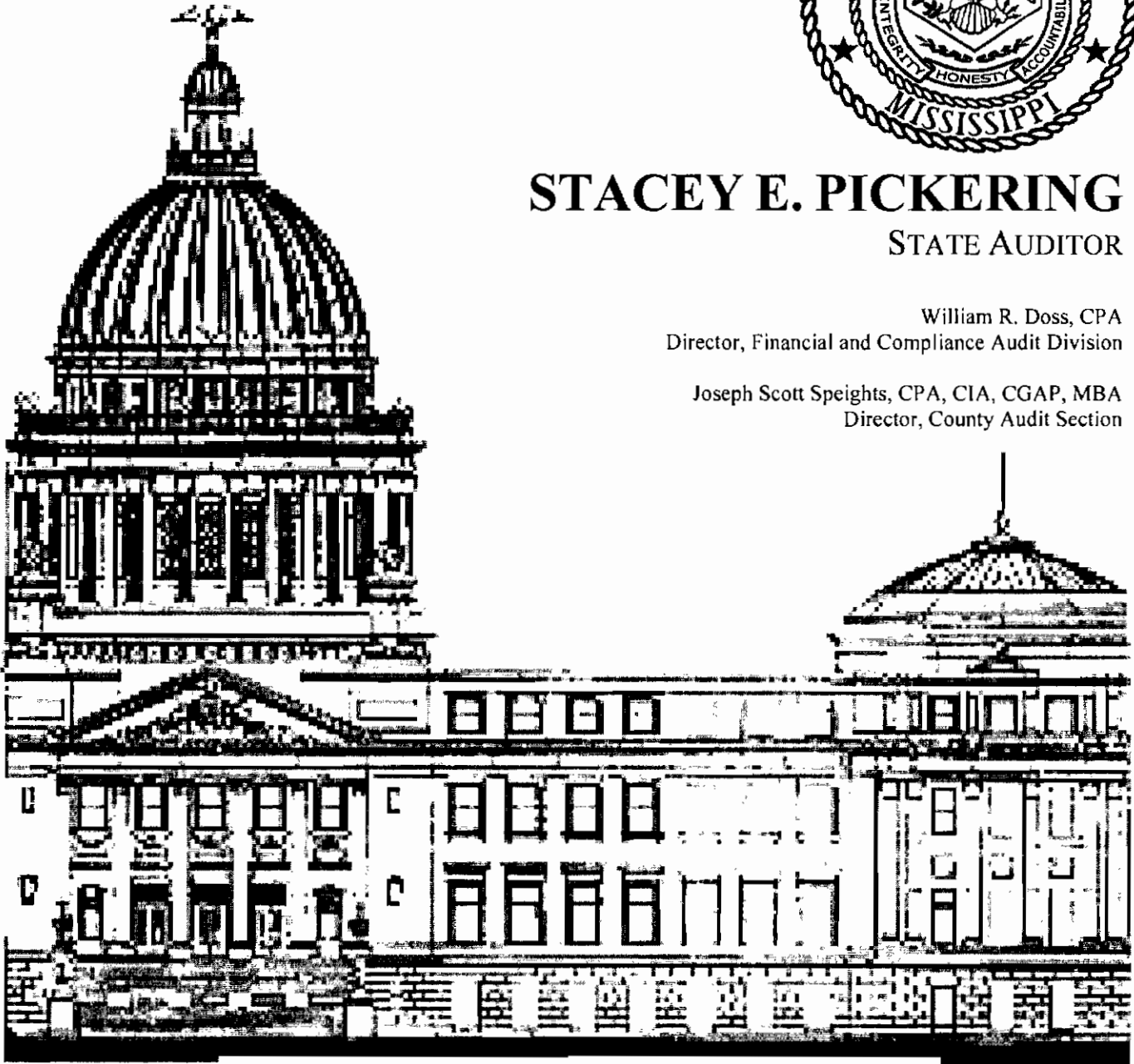


## STACEY E. PICKERING

STATE AUDITOR

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

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



A Report from the County Audit Section

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SHARKEY COUNTY

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SHARKEY COUNTY

FINANCIAL SECTION

SHARKEY 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  
Sharkey County, Mississippi

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

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

The financial statements do not include financial data for the county's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The county has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

As discussed in Note 1(H) to the financial statements, management has not maintained adequate subsidiary records documenting the existence, completeness and valuation of the capital assets reported on the Statement of Net Assets at \$7,829,433, as of September 30, 2008. Also, management has not maintained depreciation schedules or reported depreciation expense on the capital assets. Accounting principles generally accepted in the United States of America require that capital assets be depreciated which would decrease the assets and increase the expense, as well as, properly reflect the gains and losses on the disposal of capital assets of the governmental activities. The amount by which this departure would affect the assets, revenues and expenses of the governmental activities is not reasonably determinable.

Management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable of the Justice Court or the aging of these fines receivable. Due to the nature of the county's records, we were unable to satisfy ourselves as to the fair presentation of fines receivable, net, reported on the Statement of Net Assets and in the General Fund at \$69,263, as of September 30, 2008. Also, because of the nature of the fines receivable records, we could not satisfy ourselves as to the fair presentation of the related transactions of the General Fund.

In our opinion, because of the omission of the discretely presented component units, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Sharkey County, Mississippi, as of September 30, 2008, or the changes in financial position thereof for the year then ended.

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

In our opinion, except for the effects of such adjustments if any, as might have been determined to be necessary had we been able to examine evidence to determine the net realizable value of the Justice Court fines receivable for the General Fund as described in the fifth paragraph, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the General Fund of Sharkey County, Mississippi, as of September 30, 2008, and the respective changes in financial position, thereof for the year 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 Garbage and Solid Waste Fund, General Road Fund and the aggregate remaining fund information of Sharkey County, Mississippi, as of September 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2010, on our consideration of Sharkey 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.

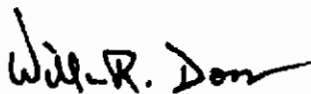
Sharkey County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sharkey County, Mississippi's basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements. For reasons stated in the fourth paragraph of our report, we expressed an opinion that the financial statements of Sharkey County do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of Sharkey County, Mississippi, as of September 30, 2008, and the changes in the financial position thereof for the year then ended. Therefore, we do not express an opinion on the accompanying Reconciliation of Operating Costs of Solid Waste.



STACEY E. PICKERING  
State Auditor



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

June 4, 2010

SHARKEY COUNTY

FINANCIAL STATEMENTS

SHARKEY COUNTY

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SHARKEY COUNTY  
Statement of Net Assets  
September 30, 2008

Exhibit 1

|   | Primary<br>Government              |
|---|------------------------------------|
|   | <u>Governmental<br/>Activities</u> |
| <b>ASSETS</b>   |                                    |
| Cash  | \$ 1,293,310                       |
| Property tax receivable   | 1,965,040                          |
| Accounts receivable (net of allowance for<br>uncollectibles of \$124,696) | 249,392                            |
| Fines receivable (net of allowance for<br>uncollectibles of \$152,708)    | 69,263                             |
| Loans receivable  | 6,394                              |
| Intergovernmental receivables   | 23,928                             |
| Other receivables   | 13,866                             |
| Capital assets:   |                                    |
| Land  | 82,638                             |
| Other capital assets  | 7,746,795                          |
| Total Assets  | <u>11,450,626</u>                  |
| <b>LIABILITIES</b>  |                                    |
| Claims payable  | 278,773                            |
| Amounts held in custody for others  | 1,192                              |
| Intergovernmental payables  | 52,124                             |
| Accrued interest payable  | 7,389                              |
| Deferred revenue  | 1,965,040                          |
| Short-term liabilities  | 7,005                              |
| Long-term liabilities   |                                    |
| Due within one year:  |                                    |
| Capital debt  | 184,724                            |
| Non-capital debt  | 10,279                             |
| Due in more than one year:  |                                    |
| Capital debt  | 805,849                            |
| Non-capital debt  | 3,312                              |
| Total Liabilities   | <u>3,315,687</u>                   |
| <b>NET ASSETS</b>   |                                    |
| Invested in capital assets, net of related debt                           | 6,838,860                          |
| Restricted:   |                                    |
| Expendable:   |                                    |
| Debt service  | 33,772                             |
| Public safety   | 44,279                             |
| Public works  | 840,232                            |
| Health and welfare  | 60,585                             |
| Culture and recreation  | 32,457                             |
| Economic development  | 21,609                             |
| Unrestricted  | 263,145                            |
| Total Net Assets  | <u>\$ 8,134,939</u>                |

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

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

Exhibit 2

| Functions/Programs   | Program Revenues |                         |  | Net (Expense) Revenue and<br>Changes in Net Assets |  |
|--|------------------|-------------------------|--|--|--|
|  | Expenses         | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions             | Primary Government<br>Governmental<br>Activities |
| Primary government:  |                  |                         |  |  |  |
| Governmental activities:                                     |                  |                         |  |  |  |
| General government   | \$ 1,273,935     | 135,772                 |  |  | (1,138,163)                                      |
| Public safety  | 621,785          | 58,616                  | 50,640                                   | 6,660  | (505,869)  |
| Public works   | 1,472,960        | 201,593                 | 587,316                                  |  | (684,051)  |
| Health and welfare   | 341,747          |                         | 24,211                                   |  | (317,536)  |
| Culture and recreation                                       | 61,329           |                         |  |  | (61,329)   |
| Conservation of natural resources                            | 38,014           |                         | 61,256                                   |  | 23,242   |
| Economic development and assistance                          | 9,532            |                         |  |  | (9,532)  |
| Interest on long-term debt                                   | 52,204           |                         |  |  | (52,204)   |
| Total Governmental Activities                                | \$ 3,871,506     | 395,981                 | 723,423                                  | 6,660  | (2,745,442)                                      |
| General revenues:  |                  |                         |  |  |  |
| Property taxes   |                  |                         |  |  | \$ 2,463,856                                     |
| Road & bridge privilege taxes                                |                  |                         |  |  | 56,052   |
| Grants and contributions not restricted to specific programs |                  |                         |  |  | 117,574  |
| Unrestricted interest income                                 |                  |                         |  |  | 15,695   |
| Miscellaneous  |                  |                         |  |  | 183,992  |
| Total General Revenues                                       |                  |                         |  |  | 2,837,169  |
| Changes in Net Assets  |                  |                         |  |  | 91,727   |
| Net Assets - Beginning                                       |                  |                         |  |  | 8,043,212  |
| Net Assets - Ending  |                  |                         |  |  | \$ 8,134,939                                     |

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

SHARKEY COUNTY  
 Balance Sheet - Governmental Funds  
 September 30, 2008

Exhibit 3

|   | Major Funds     |                                    |                         |                                | Total<br>Governmental<br>Funds |
|---|-----------------|------------------------------------|-------------------------|--------------------------------|--------------------------------|
|   | General<br>Fund | Garbage and<br>Solid Waste<br>Fund | General<br>Road<br>Fund | Other<br>Governmental<br>Funds |                                |
| <b>ASSETS</b>   |                 |                                    |                         |                                |                                |
| Cash  | \$ 417,268      | 77,039                             | 199,203                 | 599,800                        | 1,293,310                      |
| Property tax receivable   | 1,435,665       | 115,000                            | 143,500                 | 270,875                        | 1,965,040                      |
| Accounts receivable (net of allowance<br>for uncollectibles of \$124,696) |                 | 249,392                            |                         |                                | 249,392                        |
| Fines receivable (net of allowance for<br>uncollectibles of \$152,708)    | 69,263          |                                    |                         |                                | 69,263                         |
| Loans receivable  |                 |                                    | 2,500                   | 3,894                          | 6,394                          |
| Intergovernmental receivables   | 23,928          |                                    |                         |                                | 23,928                         |
| Other receivables   | 9,137           |                                    |                         | 4,729                          | 13,866                         |
| Due from other funds  |                 | 1,944                              | 2,430                   | 7,598                          | 11,972                         |
| Advances to other funds   | 9,560           |                                    | 21,248                  | 7,219                          | 38,027                         |
| Total Assets  | \$ 1,964,821    | 443,375                            | 368,881                 | 894,115                        | 3,671,192                      |
| <b>LIABILITIES AND FUND BALANCES</b>                                      |                 |                                    |                         |                                |                                |
| <b>Liabilities:</b>   |                 |                                    |                         |                                |                                |
| Claims payable  | \$ 158,665      | 28,171                             | 8,612                   | 83,325                         | 278,773                        |
| Intergovernmental payables  | 50,399          |                                    |                         |                                | 50,399                         |
| Due to other funds  | 13,697          |                                    |                         |                                | 13,697                         |
| Advances from other funds   | 28,467          | 4,839                              |                         | 4,721                          | 38,027                         |
| Short-term liabilities  |                 |                                    |                         | 7,005                          | 7,005                          |
| Deferred revenue  | 1,504,928       | 364,392                            | 143,500                 | 270,875                        | 2,283,695                      |
| Amounts held in eustody for others  | 1,192           |                                    |                         |                                | 1,192                          |
| Total Liabilities   | 1,757,348       | 397,402                            | 152,112                 | 365,926                        | 2,672,788                      |
| <b>Fund balances:</b>   |                 |                                    |                         |                                |                                |
| <b>Reserved for:</b>  |                 |                                    |                         |                                |                                |
| Debt service  |                 |                                    |                         | 41,161                         | 41,161                         |
| Loans receivable  |                 |                                    | 2,500                   | 3,894                          | 6,394                          |
| Advances  | 9,560           |                                    | 21,248                  | 7,219                          | 38,027                         |
| <b>Unreserved - undesignated, reported in:</b>                            |                 |                                    |                         |                                |                                |
| General Fund  | 197,913         |                                    |                         |                                | 197,913                        |
| Special Revenue Funds   |                 | 45,973                             | 193,021                 | 475,915                        | 714,909                        |
| Total Fund Balances   | 207,473         | 45,973                             | 216,769                 | 528,189                        | 998,404                        |
| Total Liabilities and Fund Balances                                       | \$ 1,964,821    | 443,375                            | 368,881                 | 894,115                        | 3,671,192                      |

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

SHARKEY 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   | \$ 998,404                 |
| 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. | 7,829,433                  |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.        | 318,655                    |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.                | (1,004,164)                |
| Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.               | <u>(7,389)</u>             |
| Total Net Asscts - Governmental Activities  | \$ <u><u>8,134,939</u></u> |

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

## SHARKEY COUNTY

Exhibit 4

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

|   | Major Funds       |                                    |                      | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|-------------------|------------------------------------|----------------------|--------------------------------|--------------------------------|
|   | General<br>Fund   | Garbage and<br>Solid Waste<br>Fund | General Road<br>Fund |                                |                                |
| <b>REVENUES</b>                                 |                   |                                    |                      |                                |                                |
| Property taxes                                  | \$ 1,785,758      | 151,099                            | 188,844              | 338,155                        | 2,463,856                      |
| Road and bridge privilege taxes                 |                   |                                    |                      | 56,052                         | 56,052                         |
| Licenses, commissions and other revenue         | 68,604            |                                    |                      | 1,805                          | 70,409                         |
| Fines and forfeitures                           | 56,938            |                                    |                      |                                | 56,938                         |
| Intergovernmental revenues                      | 238,626           | 3,000                              |                      | 606,031                        | 847,657                        |
| Charges for services                            | 25,640            | 176,019                            |                      | 23,787                         | 225,446                        |
| Interest income                                 | 14,901            |                                    |                      | 794                            | 15,695                         |
| Miscellaneous revenues                          | 56,774            |                                    | 5,239                | 121,979                        | 183,992                        |
| Total Revenues                                  | <u>2,247,241</u>  | <u>330,118</u>                     | <u>194,083</u>       | <u>1,148,603</u>               | <u>3,920,045</u>               |
| <b>EXPENDITURES</b>                             |                   |                                    |                      |                                |                                |
| Current:  |                   |                                    |                      |                                |                                |
| General government                              | 1,273,935         |                                    |                      |                                | 1,273,935                      |
| Public safety                                   | 554,122           |                                    |                      | 67,663                         | 621,785                        |
| Public works                                    |                   | 287,601                            | 129,294              | 1,056,065                      | 1,472,960                      |
| Health and welfare                              | 211,747           |                                    |                      | 130,000                        | 341,747                        |
| Culture and recreation                          | 8,899             |                                    |                      | 52,430                         | 61,329                         |
| Conservation of natural resources               | 38,014            |                                    |                      |                                | 38,014                         |
| Economic development and assistance             | 4,532             |                                    |                      | 5,000                          | 9,532                          |
| Debt service:                                   |                   |                                    |                      |                                |                                |
| Principal                                       | 43,556            | 27,630                             | 33,941               | 228,268                        | 333,395                        |
| Interest  | 3,768             | 5,954                              | 6,102                | 33,394                         | 49,218                         |
| Total Expenditures                              | <u>2,138,573</u>  | <u>321,185</u>                     | <u>169,337</u>       | <u>1,572,820</u>               | <u>4,201,915</u>               |
| Excess of Revenues over<br>(under) Expenditures | <u>108,668</u>    | <u>8,933</u>                       | <u>24,746</u>        | <u>(424,217)</u>               | <u>(281,870)</u>               |
| <b>OTHER FINANCING SOURCES (USES)</b>           |                   |                                    |                      |                                |                                |
| Long-term capital debt issued                   |                   |                                    |                      | 70,526                         | 70,526                         |
| Long-term non-capital debt issued               | 29,611            |                                    |                      |                                | 29,611                         |
| Transfers in                                    | 12,110            |                                    |                      |                                | 12,110                         |
| Transfers out                                   |                   |                                    |                      | (12,110)                       | (12,110)                       |
| Total Other Financing Sources and Uses          | <u>41,721</u>     | <u>0</u>                           | <u>0</u>             | <u>58,416</u>                  | <u>100,137</u>                 |
| Net Changes in Fund Balances                    | 150,389           | 8,933                              | 24,746               | (365,801)                      | (181,733)                      |
| Fund Balances - Beginning                       | <u>57,084</u>     | <u>37,040</u>                      | <u>192,023</u>       | <u>893,990</u>                 | <u>1,180,137</u>               |
| Fund Balances - Ending                          | <u>\$ 207,473</u> | <u>45,973</u>                      | <u>216,769</u>       | <u>528,189</u>                 | <u>998,404</u>                 |

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

SHARKEY 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   | \$ (181,733)     |
| Amounts reported for governmental activities in the Statement of Activities<br>are different because:   |                  |
| Fine revenue recognized on the modified accrual basis in the funds during the<br>current year is reduced because prior year recognition would have been required<br>on the Statement of Activities using the full-accrual basis of accounting.  | 17,614           |
| Solid waste revenue recognized on the modified accrual basis in the funds during the<br>current year is reduced because prior year recognition would have been required<br>on the Statement of Activities using the full-accrual basis of accounting.   | 25,574           |
| Debt proceeds provide current financial resources to Governmental Funds, but<br>issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment<br>of debt principal is an expenditure in the Governmental Funds, but the repayment<br>reduces long-term liabilities in the Statement of Net Assets. Thus, the change in<br>net assets differs from the change in fund balances by the amount that debt<br>repayments of \$333,395 exceeded debt proceeds of \$100,137.  | 233,258          |
| Under the modified accrual basis of accounting used in the Governmental Funds,<br>expenditures are not recognized for transactions that are not normally paid with<br>expendable available financial resources. However, in the Statement of Activities,<br>which is presented on the accrual basis, expenses and liabilities are reported<br>regardless of when financial resources are available. In addition, interest on<br>long-term debt is recognized under the modified accrual basis of accounting when<br>due, rather than as it accrues. Thus, the change in net assets differs from the change<br>in fund balances by the amount of increase in accrued interest payable. | <u>(2,986)</u>   |
| Change in Net Assets of Governmental Activities   | <u>\$ 91,727</u> |

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

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

Exhibit 5

|                                    | <u>Agency<br/>Funds</u> |
|------------------------------------|-------------------------|
| <b>ASSETS</b>                      |                         |
| Cash                               | \$ 108,706              |
| Due from other funds               | <u>1,725</u>            |
| Total Assets                       | <u>\$ 110,431</u>       |
| <b>LIABILITIES</b>                 |                         |
| Amounts held in custody for others | \$ 30,952               |
| Intergovernmental payables         | <u>79,479</u>           |
| Total Liabilities                  | <u>\$ 110,431</u>       |

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

## SHARKEY COUNTY

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

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

##### A. Financial Reporting Entity.

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

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the county. Accordingly, the financial statements do not include the data of all of the county's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Sharkey-Issaquena Community Hospital
- Sharkey-Issaquena Library

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. Basis of Presentation.

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

##### Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

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

## SHARKEY COUNTY

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

#### Fund Financial Statements:

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

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

The Government-wide and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year-end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Funds:

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

Garbage and Solid Waste Fund - This fund is used to account for all activities of the solid waste department including garbage collection, disposal and user billing.

General Road Fund - This fund is used to account for activities associated with the countywide maintenance of roads and bridges.

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.

## SHARKEY COUNTY

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

#### 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.

#### D. 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.

#### E. 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.

#### F. Receivables.

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

#### G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

#### H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. However, the amounts for capital assets reported on the accompanying Statement of Net Assets, do not include amounts for capital assets related to infrastructure and related depreciation because the county did not maintain adequate records documenting the county's infrastructure or records documenting depreciation on applicable assets. 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.

## SHARKEY COUNTY

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

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Sharkey County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not required to be reported in the government-wide financial statements. General infrastructure assets acquired subsequent to October 1, 2002 are required to be reported on the government-wide financial statements but are not reported because the county did not maintain adequate records documenting the value of the county's infrastructure.

#### I. Long-term Liabilities.

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

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

#### J. 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 - Since depreciation of capital assets is not recorded in governmental activities, invested in capital assets, net of related debt consists of capital assets including restricted capital assets reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

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

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

##### Fund Financial Statements:

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

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

#### K. 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.

## SHARKEY COUNTY

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

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.

#### L. 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.

#### M. 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.

#### (2) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2008, was \$1,402,016, and the bank balance was \$1,435,980. 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.

SHARKEY COUNTY

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

(3) Interfund Transactions and Balances.

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

A. Due From/To Other Funds:

| <u>Receivable Fund</u>   | <u>Payable Fund</u> | <u>Amount</u>    |
|--------------------------|---------------------|------------------|
| Garbage and Solid Waste  | General             | \$ 1,944         |
| General Road             | General             | 2,430            |
| Other Governmental Funds | General             | 7,598            |
| Agency Funds             | General             | <u>1,725</u>     |
| Total                    |                     | <u>\$ 13,697</u> |

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

B. Advances From/To Other Funds:

| <u>Receivable Fund</u>   | <u>Payable Fund</u>      | <u>Amount</u>    |
|--------------------------|--------------------------|------------------|
| General                  | Garbage and Solid Waste  | \$ 4,839         |
| General                  | Other Governmental Funds | 4,721            |
| General Road             | General                  | 21,248           |
| Other Governmental Funds | General                  | <u>7,219</u>     |
| Total                    |                          | <u>\$ 38,027</u> |

The advances represent the correction of accounting errors. All advance balances are not expected to be repaid within one year from the date of the financial statements.

C. Transfers In/Out:

| <u>Transfer In</u> | <u>Transfer Out</u>      | <u>Amount</u>    |
|--------------------|--------------------------|------------------|
| General Fund       | Other Governmental Funds | <u>\$ 12,110</u> |

The interfund transfer represents the transfer of a certificate of deposit from other governmental funds to the General Fund to retire a long-term debt.

(4) Intergovernmental Receivables.

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

| <u>Description</u>            | <u>Amount</u>    |
|-------------------------------|------------------|
| Governmental Activities:      |                  |
| Legislative tax credit        | \$ 21,953        |
| Homeland security grant       | <u>1,975</u>     |
| Total Governmental Activities | <u>\$ 23,928</u> |

SHARKEY COUNTY

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

(5) Loans Receivable.

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

| Description                   | Date of<br>Loan | Interest<br>Rate | Maturity<br>Date | Receivable<br>Balance |
|-------------------------------|-----------------|------------------|------------------|-----------------------|
| Paver note - Issaquena County | 06/19/2006      | 0%               | 11/1/2008        | \$ 2,500              |
| Home repair loans*            | Various         | 0%               | Various          | <u>3,894</u>          |
| Total                         |                 |                  |                  | <u>\$ 6,394</u>       |

\* The origin of these funds was provided by a federal grant to improve living conditions in impoverished areas.

(6) Capital Assets.

The following is a summary of capital assets balance at September 30, 2008:

Governmental activities:

|  | Balance<br>Sept. 30, 2008 |
|--|---------------------------|
| <u>Non-depreciable capital assets:</u> |                           |
| Land                                   | \$ <u>82,638</u>          |
| <u>Depreciable capital assets:</u>     |                           |
| Buildings                              | 5,330,252                 |
| Mobile equipment                       | 1,709,387                 |
| Furniture and equipment                | 245,341                   |
| Leased property under capital leases   | <u>461,815</u>            |
| Total depreciable capital assets       | <u>7,746,795</u>          |
| Governmental activities capital assets | <u>\$ 7,829,433</u>       |

No depreciation has been provided and disclosed for these capital assets. Also, no transactions for the current year activity related to capital assets have been recorded by the county.

(7) 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.

SHARKEY COUNTY

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

(8) Operating Leases.

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$28,115 for the year ended September 30, 2008. The future minimum lease receivables for these leases are as follows:

| <u>Year Ended September 30</u>  | <u>Amount</u>    |
|---------------------------------|------------------|
| 2009                            | \$ 28,115        |
| 2010                            | 28,115           |
| 2011                            | <u>28,115</u>    |
| Total Minimum Payments Required | <u>\$ 84,345</u> |

(9) Capital Leases.

As Lessee:

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

| <u>Class of Property</u>             | <u>Governmental<br/>Activities</u> |
|--------------------------------------|------------------------------------|
| Mobile equipment                     | \$ <u>618,649</u>                  |
| Leased Property Under Capital Leases | <u>\$ 618,649</u>                  |

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

| <u>Year Ending September 30</u> | <u>Governmental Activities</u> |                 |
|---------------------------------|--------------------------------|-----------------|
|                                 | <u>Principal</u>               | <u>Interest</u> |
| 2009                            | \$ 64,645                      | 18,780          |
| 2010                            | 295,975                        | 14,997          |
| 2011                            | 32,158                         | 4,866           |
| 2012                            | <u>91,016</u>                  | <u>2,932</u>    |
| Total                           | <u>\$ 483,794</u>              | <u>41,575</u>   |

(10) Short-term Debt and Liquidity.

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

| <u>Description of Debt</u> | <u>Balance<br/>Oct. 1, 2007</u> | <u>Additions</u> | <u>Reductions</u> | <u>Adjustments</u> | <u>Balance<br/>Sept. 30, 2008</u> |
|----------------------------|---------------------------------|------------------|-------------------|--------------------|-----------------------------------|
| District 4 working capital | \$ 22,214                       |                  | 22,214            |                    | 0                                 |
| District 1 Road - car      |                                 | 7,005            |                   |                    | 7,005                             |
| Total                      | <u>\$ 22,214</u>                | <u>7,005</u>     | <u>22,214</u>     | <u>0</u>           | <u>7,005</u>                      |

SHARKEY COUNTY

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

During the month of September, 2007, the county issued \$22,214 in short-term debt with the purpose of refinancing a previous short-term loan that was issued in order to alleviate a temporary operating cash flow deficiency. The debt had an interest rate of 8.25% and was paid off in full on September 9, 2008.

During the month of March, 2008, the county issued \$7,005 in short-term debt with the purpose of purchasing a used vehicle. The debt has an interest rate of 5.25% and maturity date of March 21, 2009.

(11) Long-term Debt.

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

| Description and Purpose                       | Amount<br>Outstanding | Interest<br>Rate | Final<br>Maturity<br>Date |
|---|-----------------------|------------------|---------------------------|
| Governmental Activities:                      |                       |                  |                           |
| A. Capital Leases:                            |                       |                  |                           |
| Kubota tractor                                | \$ 29,559             | 4.75%            | 04-12                     |
| Ford F-150 truck                              | 17,050                | 4.75%            | 03-12                     |
| Ford F-150 truck                              | 16,676                | 4.75%            | 02-12                     |
| Case 865 motor grader                         | 78,988                | 3.39%            | 04-10                     |
| Case 865 motor grader                         | 89,880                | 3.34%            | 07-10                     |
| Case 580M extendahoe                          | 41,129                | 3.74%            | 07-10                     |
| 2 Ford Crown Victoria police cars             | 3,871                 | 3.99%            | 12-08                     |
| Mack dump truck                               | 86,709                | 4.49%            | 04-10                     |
| Motor grader                                  | 119,932               | 4.42%            | 07-12                     |
| <b>Total Capital Leases</b>                   | <b>\$ 483,794</b>     |                  |                           |
| B. Other Loans:                               |                       |                  |                           |
| Computer system                               | \$ 35,684             | 6.25%            | 04-11                     |
| Capital improvement loan - Stonecraft project | 376,335               | 4.00%            | 02-14                     |
| 99 International truck - General Fund         | 7,502                 | 5.75%            | 04-10                     |
| 99 International truck - District 5           | 7,502                 | 5.75%            | 04-10                     |
| Mack garbage truck                            | 79,756                | 6.25%            | 04-11                     |
| Working capital - General Fund                | 13,591                | 6.25%            | 04-11                     |
| <b>Total Other Loans</b>                      | <b>\$ 520,370</b>     |                  |                           |

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

Governmental Activities:

| Year Ending September 30 | Other Loans       |               |
|--------------------------|-------------------|---------------|
|                          | Principal         | Interest      |
| 2009                     | \$ 130,358        | 21,880        |
| 2010                     | 113,653           | 15,224        |
| 2011                     | 94,924            | 9,857         |
| 2012                     | 70,285            | 6,547         |
| 2013                     | 73,124            | 3,707         |
| 2014 - 2018              | 38,026            | 1,521         |
| <b>Total</b>             | <b>\$ 520,370</b> | <b>58,736</b> |

SHARKEY COUNTY

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

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2008, the amount of outstanding debt was equal to less than 1% of the latest property assessments.

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

|                                 | Balance<br>Oct. 1, 2007 | Additions      | Reductions     | Adjustments | Balance<br>Sept. 30, 2008 | Amount due<br>within one<br>year |
|---------------------------------|-------------------------|----------------|----------------|-------------|---------------------------|----------------------------------|
| <b>Governmental Activities:</b> |                         |                |                |             |                           |                                  |
| General obligation bonds        | \$ 110,000              |                | 110,000        |             | 0                         | 0                                |
| Capital leases                  | 486,666                 | 70,526         | 73,398         |             | 483,794                   | 64,645                           |
| Other loans                     | 640,756                 | 29,611         | 149,997        |             | 520,370                   | 130,358                          |
| <b>Total</b>                    | <b>\$ 1,237,422</b>     | <b>100,137</b> | <b>333,395</b> | <b>0</b>    | <b>1,004,164</b>          | <b>195,003</b>                   |

(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.

(13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Delta Community Health Services operates in a district composed of the Counties of Bolivar, Issaquena, Sharkey and Washington. The Sharkey County Board of Supervisors appoints one of the four members of the commissioners. The county appropriated \$49,000 for support of the Delta Community Mental Health Services 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 Sharkey County Board of Supervisors appoints three of the 20 members of the college board of trustees. The county appropriated \$81,226 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 Sharkey County Board of Supervisors appoints three of the 22 members of the board of directors. The county contributes only a small part of the entity's total revenue.

**SHARKEY COUNTY**

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

The Yazoo-Mississippi Waste 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 Sharkey County Board of Supervisors appoints one of the 21 members of the board of commissioners. The county contributed \$22,860 to support the district in fiscal year 2008.

(14) **Defined Benefit Pension Plan.**

Plan Description. Sharkey 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 \$144,269, \$134,901 and \$123,587, respectively, equal to the required contributions for each year.

(15) **Subsequent Events.**

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

| Issue Date | Interest Rate | Issue Amount | Type of Financing | Source of Financing |
|------------|---------------|--------------|-------------------|---------------------|
| 02/25/2009 | 3.75%         | \$ 37,000    | Capital lease     | Ad valorem taxes    |
| 03/25/2009 | 3.59%         | 26,045       | Capital lease     | Ad valorem taxes    |
| 08/14/2009 | 3.55%         | 32,904       | Capital lease     | Ad valorem taxes    |
| 02/04/2010 | 3.50%         | 131,990      | Capital lease     | Ad valorem taxes    |
| 02-23-2010 | 3.55%         | 21,505       | Capital lease     | Ad valorem taxes    |
| 05-13-2010 | 3.25%         | 160,020      | Capital lease     | Ad valorem taxes    |
| 05-13-2010 | 3.25%         | 175,650      | Capital lease     | Ad valorem taxes    |
| 05-24-2010 | 3.25%         | 57,909       | Capital lease     | Ad valorem taxes    |

SHARKEY COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

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

|   | Original<br>Budget | Final<br>Budget  | Actual<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|--------------------|------------------|--------------------------------|---|
| <b>REVENUES</b>                                 |                    |                  |                                |   |
| Property taxes                                  | \$ 1,687,350       | 1,788,016        | 1,788,016                      |   |
| Road and bridge privilege taxes                 | 1,000              |                  |                                |   |
| Licenses, commissions and other revenue         | 70,200             | 65,766           | 65,766                         |   |
| Fines and forfeitures                           | 70,000             | 50,548           | 50,548                         |   |
| Intergovernmental revenues                      | 174,300            | 199,280          | 199,280                        |   |
| Charges for services                            | 10,000             | 37,750           | 37,750                         |   |
| Interest income                                 | 8,000              | 14,898           | 14,898                         |   |
| Miscellaneous revenues                          | 38,000             | 64,334           | 64,334                         |   |
| Total Revenues                                  | <u>2,058,850</u>   | <u>2,220,592</u> | <u>2,220,592</u>               | <u>0</u>  |
| <b>EXPENDITURES</b>                             |                    |                  |                                |   |
| Current:  |                    |                  |                                |   |
| General government                              | 1,426,669          | 1,378,000        | 1,378,000                      |   |
| Public safety                                   | 462,317            | 550,001          | 550,001                        |   |
| Health and welfare                              | 208,265            | 212,031          | 212,031                        |   |
| Culture and recreation                          | 8,000              | 8,534            | 8,534                          |   |
| Conservation of natural resources               | 40,981             | 37,789           | 37,789                         |   |
| Economic development and assistance             | 2,266              | 4,532            | 4,532                          |   |
| Total Expenditures                              | <u>2,148,498</u>   | <u>2,190,887</u> | <u>2,190,887</u>               | <u>0</u>  |
| Excess of Revenues<br>over (under) Expenditures | <u>(89,648)</u>    | <u>29,705</u>    | <u>29,705</u>                  | <u>0</u>  |
| Net Change in Fund Balance                      | (89,648)           | 29,705           | 29,705                         |   |
| Fund Balance - Beginning                        | <u>89,648</u>      | <u>57,084</u>    | <u>57,084</u>                  | <u>0</u>  |
| Fund Balance - Ending                           | <u>\$ 0</u>        | <u>86,789</u>    | <u>86,789</u>                  | <u>0</u>  |

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

SHARKEY COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Garbage and Solid Waste Fund  
 For the Year Ended September 30, 2008

|   | Original<br>Budget | Final<br>Budget | Actual<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|--------------------|-----------------|--------------------------------|---|
| <b>REVENUES</b>                                 |                    |                 |                                |   |
| Property taxes                                  | \$ 140,000         | 151,095         | 151,095                        |   |
| Charges for services                            | 161,312            | 178,775         | 178,775                        |   |
| Total Revenues                                  | <u>301,312</u>     | <u>329,870</u>  | <u>329,870</u>                 | <u>0</u>  |
| <b>EXPENDITURES</b>                             |                    |                 |                                |   |
| Current:  |                    |                 |                                |   |
| Public works                                    | 301,312            | 315,610         | 315,610                        |   |
| Total Expenditures                              | <u>301,312</u>     | <u>315,610</u>  | <u>315,610</u>                 | <u>0</u>  |
| Excess of Revenues<br>over (under) Expenditures | <u>0</u>           | <u>14,260</u>   | <u>14,260</u>                  | <u>0</u>  |
| Net Change in Fund Balance                      | 0                  | 14,260          | 14,260                         | 0   |
| Fund Balance - Beginning                        | <u>0</u>           | <u>37,040</u>   | <u>37,040</u>                  | <u>0</u>  |
| Fund Balance - Ending                           | <u>\$ 0</u>        | <u>51,300</u>   | <u>51,300</u>                  | <u>0</u>  |

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

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

|   | Original<br>Budget | Final<br>Budget | Actual<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|--------------------|-----------------|--------------------------------|---|
| <b>REVENUES</b>                                 |                    |                 |                                |   |
| Property taxes                                  | \$ 175,000         | 188,832         | 188,832                        |   |
| Miscellaneous revenues                          |                    | 5,239           | 5,239                          |   |
| Total Revenues                                  | <u>175,000</u>     | <u>194,071</u>  | <u>194,071</u>                 | <u>0</u>  |
| <b>EXPENDITURES</b>                             |                    |                 |                                |   |
| Current:  |                    |                 |                                |   |
| Public works                                    | 220,000            | 165,493         | 165,493                        |   |
| Total Expenditures                              | <u>220,000</u>     | <u>165,493</u>  | <u>165,493</u>                 | <u>0</u>  |
| Excess of Revenues<br>over (under) Expenditures | <u>(45,000)</u>    | <u>28,578</u>   | <u>28,578</u>                  | <u>0</u>  |
| Net Change in Fund Balance                      | (45,000)           | 28,578          | 28,578                         | 0   |
| Fund Balance - Beginning                        | <u>45,000</u>      | <u>192,023</u>  | <u>192,023</u>                 | <u>0</u>  |
| Fund Balance - Ending                           | <u>\$ 0</u>        | <u>220,601</u>  | <u>220,601</u>                 | <u>0</u>  |

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

SHARKEY COUNTY

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

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

|  | Governmental Fund Types |                                    |                         |
|--|-------------------------|------------------------------------|-------------------------|
|  | General<br>Fund         | Garbage and<br>Solid Waste<br>Fund | General<br>Road<br>Fund |
| Budget (Cash Basis)                      | \$ 29,705               | 14,260                             | 28,578                  |
| Increase (Decrease)                      |                         |                                    |                         |
| Net adjustments for revenue accruals     | 67,885                  | 247                                | 11                      |
| Net adjustments for expenditure accruals | 52,799                  | (5,574)                            | (3,843)                 |
| GAAP Basis                               | \$ 150,389              | 8,933                              | 24,746                  |

SHARKEY COUNTY

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SHARKEY COUNTY

SUPPLEMENTAL INFORMATION

SHARKEY COUNTY

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

Operating Expenditures, Cash Basis:

|   |        |                           |
|---|--------|---------------------------|
| Salaries  | \$     | 135,080                   |
| Expendable Commodities:                           |        |                           |
| Gasoline and petroleum products                   |        | 49,275                    |
| Repair parts                                      |        | 20,102                    |
| Clothing  |        | 1,048                     |
| Maintenance                                       |        | 2,453                     |
| Postage and box rent                              |        | 4,622                     |
| Solid waste disposal fees                         |        | <u>69,372</u>             |
| <br>Solid Waste Cash Basis Operating Expenditures |        | <br>281,952               |
| Full Cost Expenses:                               |        |                           |
| Indirect administrative costs                     |        | 5,084                     |
| Net effect of other accrued expenses              |        | <u>4,536</u>              |
| <br>Solid Waste Full Cost Operating Expenses      | <br>\$ | <br><u><u>291,572</u></u> |

**SHARKEY COUNTY**

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SHARKEY COUNTY

SPECIAL REPORTS

**SHARKEY 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  
Sharkey County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Sharkey 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 4, 2010. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. Our report also includes an adverse opinion on the governmental activities because the county did not maintain adequate subsidiary records documenting the existence, completeness, valuation and depreciation of capital assets, as well as a qualified opinion on the General Fund because the county did not maintain adequate subsidiary records documenting the existence and valuation of the Justice Court fines receivable, both of which are 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 Sharkey 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 08-1, 08-2, 08-3, 08-4, 08-5 and 08-6 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 08-5 to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sharkey 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*.

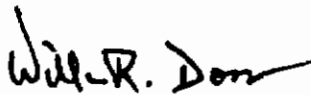
However, we noted certain matters that we reported to the management of Sharkey County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated June 4, 2010, included within this document.

Sharkey County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Sharkey 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, 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 4, 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  
Sharkey County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Sharkey 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 Sharkey 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 Sharkey County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

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

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

Inventory Control Clerk.

1. Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. As reported in the prior five years' audit reports, management did not maintain an accurate inventory or adequate subsidiary records documenting the existence, completeness and valuation of governmental activities capital assets. Records were not maintained documenting the depreciation of capital assets. Therefore, the Independent Auditor's Report includes an adverse opinion on the financial position of the governmental activities.

Recommendation

The Inventory Control Clerk should establish procedures documenting the existence, completeness and valuation of the capital assets. Also, records should be maintained documenting depreciation on capital assets.

Inventory Control Clerk's Response

Working on correcting these problems.

Purchase Clerk.

2. Finding

Section 31-7-103, Miss. Code Ann. (1972), requires a requisition, purchase order and receiving report for all purchases, except for those items enumerated by the Office of the State Auditor under the authority of Section 31-7-113, Miss. Code Ann. (1972), and except for purchases of not more than \$100. We noted that some purchases were made without a requisition, purchase order or a receiving report. Failure to complete these documents could result in the loss or misappropriation of public funds.

Recommendation

The Purchase Clerk should ensure that the purchasing documents are present, and completed with sufficient detail and specific amounts, as required, prior to ordering the respective commodity.

Purchase Clerk's Response

I will comply.

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

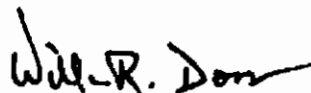
The accompanying schedules of (1) purchases not made from the lowest bidder, (2) emergency purchases and (3) purchases made noncompetitively from a sole source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to 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.

Sharkey County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended for use in evaluating the central purchasing system and inventory control system of Sharkey 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 4, 2010

**SHARKEY COUNTY**

**Schedule 1**

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

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

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

Schedule 2

Our test results did not identify any emergency purchases.

**SHARKEY COUNTY**

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

**Schedule 3**

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



# 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  
Sharkey County, Mississippi

In planning and performing our audit of the financial statements of Sharkey County, Mississippi for the year ended September 30, 2008, we considered Sharkey 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 Sharkey 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 4, 2010, on the financial statements of Sharkey 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 areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations and your responses are disclosed below:

Board of Supervisors.

1. Finding

As reported in the prior two years' audit reports, the county made loans to individuals for home improvements. We know of no statutory authority that allows the county to make loans. Loans made without proper statutory authority could result in the loss or misappropriation of public funds.

Recommendation

The Board of Supervisors should discontinue making loans for this purpose.

Board of Supervisors' Response

We no longer make loans from this account.

2. Finding

Section 27-39-329(2)b, Miss. Code Ann. (1972), requires the Board of Supervisors to levy each year an ad valorem tax of one (1) mill to be used for any purpose allowed by law, but the avails of such levy shall not be expended until certification by the State Tax Commission that the county has a method of maintaining assessment records in accordance with State Tax Commission Rules and Regulations. As reported in the prior years' audit report, levy proceeds in the amount of \$5,021 were expended in fiscal year 2008, whereas the State Tax Commission certification had not been issued at September 30, 2008. Failure to comply could result in the county expending funds in which they had no legal right to expend.

Recommendation

The Board of Supervisors should comply with the certification requirements of this section before expenditures are made.

Board of Supervisors' Response

We will comply.

3. Finding

Section 31-7-13(e), Miss. Code Ann. (1972), allows governing authorities to obtain lease-purchase financing from a vendor or from a third-party source after having solicited and obtained at least two competitive bids, as defined in Section 31-7-13(b), Miss. Code Ann. (1972). Sections 17-21-51 and 17-21-53, Miss. Code Ann. (1972), allow governing authorities to borrow money for various purposes after advertising for bids. The county obtained a short-term loan to buy a car for District 1 and a compensatory time loan without obtaining competitive bids. There is no authority in the state code that allows a county to issue debt without obtaining competitive bids. Without following the proper debt financing procedures, the county could have incurred excess expenditures related to these unadvertised debt issues.

Recommendation

The Board of Supervisors should ensure that the proper debt financing procedures are followed before signing any new debt agreements in the future.

Board of Supervisors' Response

We will obtain the necessary bids in the future.

4. Finding

Counties are regulated through the Miss. Code Ann. (1972), in regards to the types of financing they can acquire. During our audit, we noted that the county issued a short-term loan for a car in District 1. We know of no statutory authority that allows the county to issue such financing. Debt financing made without the proper statutory authority could result in the loss or misappropriation of public funds.

Recommendation

The county should only issue debt under the proper authorities defined within the Miss. Code Ann. (1972).

Board of Supervisors' Response

We will not make loans for one year. We will set up monthly payments.

5. Finding

Section 27-105-367, Miss. Code Ann. (1972), allows the Board of Supervisors, by order spread on their minutes, to transfer remaining balances in excess of \$2,500 in a special fund to the General Fund for general purposes, after advertising for three consecutive weeks. During our audit, we noted that the county transferred funds in excess of \$2,500 to the General Fund without advertising as required. Failure to advertise could result in the county expending revenue that had been allocated for other purposes, potentially resulting in the diversion of public funds.

Recommendation

In the future, the Board of Supervisors should ensure that proper advertising is completed before transferring any remaining special funds to the General Fund.

Board of Supervisors' Response

We will follow the correct procedures in the future.

6. Finding

Section 25-17-9, Miss. Code Ann. (1972), requires that all cafeteria plan providers must be approved by the State Auditor in order to provide administrative services related to cafeteria plans. During our audit, we noted that the provider used by the county was not on the 2008 approved list of cafeteria plan providers. The use of a non-approved provider could expose the county to potential losses and liabilities.

Recommendation

The Board of Supervisors should ensure that their cafeteria plan administrator has been approved by the State Auditor and is listed on the approved list of providers.

Board of Supervisors' Response

In the future, our cafeteria plan provider will be on the approved list. We have corrected this already.

Chancery Clerk.

7. Finding

Section 9-1-43, Miss. Code Ann. (1972), requires the Chancery Clerk to maintain a cash journal to account for the receipts and expenses related to the operation of the office. We noted the following deficiencies with the Chancery Clerk's journal:

- a. As reported in the prior year audit report, revenue not subject to the earning limitation was understated by \$800.
- b. As reported in the prior year audit report, collections for multiple transactions were combined on a single receipt and posted in the cash journal as one transaction, instead of issuing separate receipts and recording each receipt in the cash journal.

Failure to properly maintain the cash journal and account for all fees could result in the loss or misappropriation of public funds.

Recommendation

The Chancery Clerk should ensure that the fee journal is properly posted and that individual transactions are posted. An amended annual report should be filed and submitted to PERS and to the Office of the State Auditor.

Chancery Clerk's Response

I have amended my 2008 Annual Report and mailed it to PERS and the State Auditor.

8. Finding

Section 19-9-29(c), Miss. Code Ann. (1972), states that any interest derived from special purpose funds which are outside the function of general county government shall be paid into that special purpose fund. As reported in the prior two years' audit reports, the county recorded all interest earned from the county's combined checking account in the General Fund instead of the fund from which the investment was made. Failure to prorate interest earned among the funds included in the combined checking account could result in the funds being spent for the wrong purpose.

Recommendation

The Chancery Clerk should prorate the interest earned on the combined checking account among all funds that have cash in the checking account, as required by law.

Chancery Clerk's Response

We have made this correction.

9. Finding

Section 27-105-371, Miss. Code Ann. (1972), requires any unidentifiable funds to be settled into the General Fund of the county. The Chancery Clerk had unidentified funds in her land redemption account. At September 30, 2008, the Chancery Clerk had \$92.55 of unidentified cash in the land redemption account. Failure to properly identify and account for all funds could result in the loss of public funds.

Recommendation

The Chancery Clerk should settle the unidentified cash into the General Fund of the county.

Chancery Clerk's Response

I will comply.

Circuit Clerk.

10. Finding

An effective system of internal control should include an adequate segregation of duties within the office, maintaining cash journals, reconciling the bank statements to the cash journals and maintaining a subsidiary bond ledger. During our audit, we observed several deficiencies in the Circuit Clerk's office. Cash collection and disbursement functions are not adequately separated for effective internal control. One employee receipts funds, posts the cash journal, reconciles the bank statements and disburses all funds. Also, the criminal bank statement was not reconciled to the cash journal. Failure to have proper internal controls could result in the loss of public funds.

Recommendation

The Circuit Clerk should ensure that proper internal controls are maintained within the office through segregation of duties and correctly reconciling bank statements to the cash journals.

Circuit Clerk's Response

We have hired another person to perform some of those duties.

Sheriff.

11. Finding

An effective system of internal control should include the separation of cash collection and disbursement functions. As reported in the prior five years' audit reports, cash collection and disbursement functions are not adequately separated for effective internal control. One employee receipts funds, calculates monthly settlement reports, posts the cash journal, reconciles the bank statements and disburses all funds. Failure to properly segregate accounting duties increases the possibility of loss or misappropriation of public funds.

Recommendation

The Sheriff should implement a system of review of the accounting records by another person.

Sheriff's Response

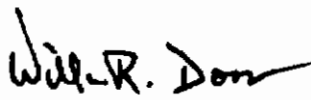
Problem identified and corrected.

Sharkey 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 4, 2010

SHARKEY COUNTY

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**SHARKEY COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES**

SHARKEY COUNTY

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SHARKEY 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   | Adverse     |
|    | Aggregate discretely presented component units  | Adverse     |
|    | General Fund  | Qualified   |
|    | Garbage and Solid Waste Fund  | Unqualified |
|    | General Road Fund   | Unqualified |
|    | 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

Generally accepted accounting principles require the financial data for the county's component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. As reported in the prior years' audit report, the financial statements do not include the financial data for the county's legally separate component units. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely present component units.

Recommendation

The county should provide the financial data for its discretely presented component units for inclusion in the county's financial statements.

Board of Supervisors' Response

This is not feasible to put in our financial statements.

SHARKEY COUNTY

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

Inventory Control Clerk.

Significant Deficiency - Material Weakness

08-2. Finding

An effective system of internal control should include adequate subsidiary records documenting the existence, completeness and valuation of governmental activities capital assets as well as the depreciation of these assets. As reported in the prior five years' audit reports, management did not maintain an accurate inventory or adequate subsidiary records documenting the existence, completeness and valuation of governmental activities capital assets. Records were not maintained documenting the depreciation of capital assets. Therefore, the Independent Auditors Report includes an adverse opinion on the financial position of the governmental activities.

Recommendation

The Inventory Control Clerk should establish procedures documenting the existence, completeness and valuation of the capital assets. Also, records should be maintained documenting depreciation on capital assets.

Inventory Clerk's Response

Working on correcting these problems.

Chancery Clerk.

Significant Deficiency - Material Weakness

08-3. Finding

An effective system of internal control includes properly recording account balances and general journal entries in the general ledger and the proper classification of revenues in the financial statements. As reported in the prior two years' audit reports, numerous adjusting entries were proposed to management and posted to correct general journal entries and account balances in some of the county funds. In one instance, an adjustment was proposed to management and made to record transactions never posted on the county's books. Some material adjustments were also proposed to management and made to correct the classification of revenues in the financial statements. Failure to post or properly record general journal entries and account balances and to properly classify revenues could result in misstated financial statements.

Recommendation

The Chancery Clerk should ensure that all account balances and general journal entries are posted and properly recorded in the general ledger.

Chancery Clerk's Response

The Chancery Clerk is aware and will make sure this will be properly recorded.

SHARKEY COUNTY

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

Significant Deficiency

08-4. 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. Generally accepted accounting principles require the resulting liability to be reported in the financial statements. As reported in the prior six 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 incorrect payments being made to employees leaving county service and result in 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 generally accepted accounting principles.

Chancery Clerk's Response

We are talking with our computer company to calculate this time.

Justice Court Clerk.

Significant Deficiency - Material Weakness

08-5. Finding

An effective system of internal control over fines receivable records should include maintaining adequate subsidiary records to substantiate the total fines receivable balance. As reported in the prior year's audit report, management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable for Justice Court fines and the aging of fines receivable. Therefore, the Independent Auditor's report includes a qualified opinion on the General Fund, because we were not able to satisfy ourselves as to the fair presentation of the Justice Court fines receivable.

Recommendation

The Justice Court Clerk should establish procedures documenting the existence and valuation of Justice Court fines receivable, including the aging schedules of fines receivables.

Justice Court Clerk's Response

I will print the report on time in the future.

SHARKEY COUNTY

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

Significant Deficiency

08-6. Finding

An effective system of internal control should include an adequate segregation of duties. As reported in the prior two years' audit reports, cash collection and disbursement functions were not adequately separated for effective internal control. One employee receipts funds, calculates the monthly settlement reports, posts the cash journal, reconciles the bank statements and disburses all funds. Failure to properly segregate accounting duties increases the possibility of misappropriation of public funds.

Recommendation

The Justice Court Clerk should implement a system of review of the accounting records by another person.

Justice Court Clerk's Response

We alternate jobs to the best of our ability. Supervisors' will not hire another full time clerk.