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CARROLL COUNTY

**AUDITED FINANCIAL STATEMENTS
AND SPECIAL REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

CARROLL COUNTY

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CARROLL COUNTY

FINANCIAL SECTION

Windham and Lacey, PLLC

Certified Public Accountants

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Members.
American Institute of CPAs
Mississippi Society of CPAs

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Carroll County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Carroll County, Mississippi, as of and for the year ended September 30, 2009, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

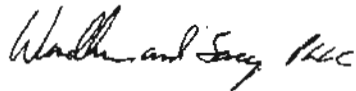
In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Carroll County, Mississippi, as of September 30, 2009, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2010 on our consideration of Carroll County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Carroll 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 and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Windham & Lacey, PLLC
December 15, 2010

CARROLL COUNTY

FINANCIAL STATEMENTS

CARROLL COUNTY
Statement of Net Assets
September 30, 2009

Exhibit I

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 4,077,787	399,028	4,476,815
Investments		1,764,451	1,764,451
Property tax receivable	4,137,235		4,137,235
Accounts receivable (net of allowance for uncollectibles of \$292,944)	138,835		138,835
Fines receivable (net of allowance for uncollectibles of \$676,548)	330,923		330,923
Capital leases receivable	813,539		813,539
Intergovernmental receivables	110,799	249,813	360,612
Other receivables	22,301	9,145	31,446
Special assessments receivable	36,969		36,969
Bond issue cost		148,922	148,922
Bond discount		24,343	24,343
Capital assets:			
Land and construction in progress	1,065,674		1,065,674
Other capital assets, net	7,825,253	3,632,394	11,457,647
Total Assets	<u>18,559,315</u>	<u>6,228,096</u>	<u>24,787,411</u>
LIABILITIES			
Claims payable	185,527	88,939	274,466
Intergovernmental payables	57,178		57,178
Amounts held in custody for others	117,277		117,277
Accrued interest payable	8,184	38,175	46,359
Deferred revenue	4,344,414		4,344,414
Long-term liabilities			
Due within one year:			
Capital debt	434,080	200,000	634,080
Non-capital debt	30,232		30,232
Due in more than one year:			
Capital debt	678,376	3,290,000	3,968,376
Non-capital debt	615,486	12,773	628,259
Total Liabilities	<u>6,470,754</u>	<u>3,629,887</u>	<u>10,100,641</u>
NET ASSETS			
Invested in capital assets, net of related debt	7,778,471	142,394	7,920,865
Restricted:			
Expendable:			
General Government	926,732		926,732
Debt Service	207,029	350,939	557,968
Public Safety	444,185	2,104,876	2,549,061
Public Works	2,138,081		2,138,081
Capital Projects	34,533		34,533
Unrestricted	559,530		559,530
Total Net Assets	<u>\$ 12,088,561</u>	<u>2,598,209</u>	<u>14,686,770</u>

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

CARROLL COUNTY
Statement of Activities
For the Year Ended September 30, 2009

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,075,943	319,541	81,409	135,168	(1,756,402)		(1,756,402)
Public safety	1,276,303	94,413	810,179	957,241	(965,313)		(965,313)
Public works	3,068,590	534,463	14,425	6,259	(766,707)		(766,707)
Health and welfare	94,260				(73,576)		(73,576)
Culture and recreation	137,534	1,000			(136,534)		(136,534)
Conservation of natural resources	84,302				(84,302)		(84,302)
Economic development and assistance	14,606		3,187		(11,419)		(11,419)
Interest on long-term debt	73,753				(73,753)		(73,753)
Total Governmental Activities	6,825,291	949,417	909,200	1,098,668	(3,868,006)	0	(3,868,006)
Business-type activities:							
Regional jail	3,073,380	3,227,193				153,813	153,813
Total Business-type Activities	3,073,380	3,227,193	0	0	0	153,813	153,813
Total Primary Government	\$ 9,898,671	4,176,610	909,200	1,098,668	(3,868,006)	153,813	(3,714,193)
General revenues:							
Taxes:							
Property taxes					\$ 4,030,922		4,030,922
Road & bridge privilege taxes					139,203		139,203
Grants & contributions not restricted to specific programs					210,943		210,943
Unrestricted interest income					53,638	43,848	53,638
Unrestricted investment income					126,889	110,399	43,848
Miscellaneous							237,288
Total General Revenues					4,561,595	154,247	4,715,842
Changes in Net Assets					693,589	308,060	1,001,649
Net Assets - Beginning					11,394,972	2,290,149	13,685,121
Net Assets - Ending					12,088,561	2,598,209	14,686,770

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

CARROLL COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2009

Exhibit 3

ASSETS	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Bridge Fund	MS Development Authority CAP Anel Bldg I & S Fund		
Cash	\$ 599,973	1,045,505	4,159	2,428,150	4,077,787
Property tax receivable	2,837,255	267,375		1,032,605	4,137,235
Accounts receivable (net of allowance for uncollectibles of \$292,944)				138,835	138,835
Fines receivable (net of allowance for uncollectibles of \$676,548)	330,923				330,923
Capital lease receivable			813,539		813,539
Intergovernmental receivables	74,529	1,382		34,888	110,799
Other receivables	13,198			9,103	22,301
Due from other funds		5,112		30,771	35,883
Special assessments receivable				36,969	36,969
Total Assets	\$ 3,855,878	1,319,374	817,698	3,711,321	9,704,271
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims payable	\$ 60,845	17,831		106,851	185,527
Intergovernmental payables	57,178				57,178
Due to other funds	35,883				35,883
Amount held in custody for others	117,277				117,277
Deferred Revenue	3,168,178	267,375	813,539	1,208,409	5,457,501
Total Liabilities	3,439,361	285,206	813,539	1,315,260	5,853,366
Fund balances:					
Reserved for:					
Debt service			4,159	216,510	220,669
Unreserved - undesignated, reported in:					
General Fund	416,517				416,517
Special Revenue Funds		1,034,168		2,145,018	3,179,186
Capital Project Funds				34,533	34,533
Total Fund Balances	416,517	1,034,168	4,159	2,396,061	3,850,905
Total Liabilities and Fund Balances	\$ 3,855,878	1,319,374	817,698	3,711,321	9,704,271

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

CARROLL COUNTY

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2009

Exhibit 3-1

Total Fund Balance - Governmental Funds	\$ 3,850,905
Amounts reported for governmental services in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$5,243,757.	8,890,927
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	469,758
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(1,758,174)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	643,329
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(8,184)</u>
Total Net Assets - Governmental Activities	<u>\$ 12,088,561</u>

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

CARROLL COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2009

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Bridge Fund	MS Development Authority CAP Anel Bldg I & S Fund		
REVENUES					
Property taxes	\$ 2,733,028	266,644		1,031,250	4,030,922
Road and bridge privilege taxes				139,203	139,203
Licenses, commissions, & other revenue	91,426			870	92,296
Fines and forfeitures	188,154			3,333	191,487
Special assessments				8,043	8,043
Intergovernmental revenues	300,918	1,058,007		851,843	2,210,768
Charges for services	5,092			609,138	614,230
Interest income	6,361	7,207	20,137	19,933	53,638
Miscellaneous revenues	9,982			108,144	118,126
Total Revenues	3,334,961	1,331,858	20,137	2,771,757	7,458,713
EXPENDITURES					
Current:					
General government	2,135,008			218,276	2,353,284
Public safety	770,134			628,009	1,398,143
Public works	8,705	1,394,683		1,976,752	3,380,140
Health and welfare	84,761				84,761
Culture and recreation	126,977			1,000	127,977
Conservation of natural resources	84,302				84,302
Economic development assistance	14,606				14,606
Debt Service:					
Principal	41,370		29,776	379,144	450,290
Interest	3,756		20,137	51,953	75,846
Total Expenditures	3,269,619	1,394,683	49,913	3,255,134	7,969,349
Excess of Revenue over (under) Expenditures	65,342	(62,825)	(29,776)	(483,377)	(510,636)
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued				165,866	165,866
Proceeds from sale of capital assets				109,725	109,725
Transfers in				157,078	157,078
Transfers out	(50,000)			(107,078)	(157,078)
Lease principal payments			29,776		29,776
Total Other Financing Sources & Uses	(50,000)	0	29,776	325,591	305,367
Net Changes in Fund Balance	15,342	(62,825)	0	(157,786)	(205,269)
Fund Balance - Beginning	401,175	1,096,993	4,159	2,553,847	4,056,174
Fund Balance - Ending	\$ 416,517	1,034,168	4,159	2,396,061	3,850,905

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

CARROLL COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2009

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (205,269)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$1,222,054 exceeded depreciation of \$530,379 in the current period.	691,675
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net gain of \$8,763 and the proceeds from the sale of \$109,725.	(100,962)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	52,108
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(704)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduced long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$450,290 exceeded debt proceeds of \$165,866.	284,424
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus the change in net assets differs from the change in fund balances by the amount of the decrease in accrued interest payable.	2,093
In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net assets differs from change in fund balances by the principal collections on the capital leases.	<u>(29,776)</u>
Change in Net Assets of Governmental Activities (Exhibit 2)	\$ <u>693,589</u>

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

CARROLL COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2009

Exhibit 5

	Business-type Activities - Enterprise Fund
	<u>CMRCF</u> <u>Fund</u>
<u>ASSETS</u>	
Current assets:	
Cash	\$ 399,028
Investments	1,764,451
Bond issue cost	148,922
Bond discount	24,343
Intergovernmental receivables	249,813
Other receivables	9,145
Total Current Assets	<u>2,595,702</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net	<u>3,632,394</u>
Total Noncurrent Assets	<u>3,632,394</u>
Total Assets	<u>\$ 6,228,096</u>
<u>LIABILITIES</u>	
Current liabilities:	
Claims payable	\$ 88,939
Accrued interest payable	38,175
Capital debt:	
Other long-term liabilities	<u>200,000</u>
Total Current Liabilities	<u>327,114</u>
Noncurrent liabilities:	
Capital debt:	
Other long-term liabilities	3,290,000
Non-capital debt:	
Compensated absences payable	<u>12,773</u>
Total Noncurrent Liabilities	<u>3,302,773</u>
Total Liabilities	<u>3,629,887</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	
Restricted for:	
Debt service	350,939
Public safety	<u>2,247,270</u>
Total Net Assets	<u>\$ 2,598,209</u>

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

CARROLL COUNTY

Exhibit 6

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund
For the Year Ended September 30, 2009

	Business-type Activities - Enterprise Fund
	<u>CMRCF Fund</u>
Operating Revenues	
Charges for services	\$ 3,227,193
Miscellaneous	112,383
Total Operating Revenues	<u>3,339,576</u>
Operating Expenses	
Personal services	1,842,655
Contractual services	416,621
Materials and supplies	455,086
Depreciation expense	102,514
Indirect administrative cost	44,019
Total Operating Expenses	<u>2,860,895</u>
Operating Income (Loss)	<u>478,681</u>
Nonoperating Revenues (Expenses)	
Interest Income	43,848
Interest expense	(212,485)
Loss on sale of capital assets	(1,984)
Transfers	
Net Non-Operating Revenue (Expenses)	<u>(170,621)</u>
Changes in Net Assets	308,060
Net Assets - Beginning	<u>2,290,149</u>
Net Assets Ending	<u>\$ 2,598,209</u>

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

CARROLL COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2009

Exhibit 7

	Business-type Activities - Enterprise Fund
	<u>CMRCF Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 3,268,778
Payments to suppliers	(461,135)
Payments to employees	(1,843,817)
Payments for contractual services	(428,321)
Payments to General Fund for indirect costs	(44,019)
Other operating receipts	110,811
Net Cash Provided (Used) by Operating Activities	<u>602,297</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds from long-term debt	3,490,000
Principal paid on long-term debt	(3,890,000)
Interest paid on debt	(236,502)
Bond issue expense and discount	(179,343)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(815,845)</u>
Cash Flows From Investing Activities	
Interest on investments	52,742
Net Cash Provided (Used) by Investing Activities	<u>52,742</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(160,806)
Cash and Cash Equivalents at Beginning of Year	<u>2,324,285</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,163,479</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 478,681
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	102,514
Changes in assets and liabilities:	
Increase (decrease) in compensated absences payable	1,738
(Increase) decrease in intergovernmental receivables	41,185
(Increase) decrease in other receivables	(3,872)
Increase (decrease) in claims payable	(17,949)
Total Adjustments	<u>123,616</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 602,297</u>

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

CARROLL COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2009

Exhibit 8

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 6,425
Total Assets	<u>\$ 6,425</u>
<u>LIABILITIES</u>	
Amounts held in custody for others	\$ 6,425
Total Liabilities	<u>\$ 6,425</u>

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

CARROLI

Notes to Financial Statements For the Year Ended September 30, 2009

(I) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Carroll County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Carroll County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

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

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

B. Individual Component Unit Disclosures.

Blended Component Units

Certain component units, although legally separate from the primary government, are nevertheless so intertwined with the primary government that they are, in substance, the same as the primary government. Therefore, these component units are reported as if they are part of the primary government. The following component unit's balances and transactions are blended with the balances and transactions of the primary government.

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

C. Basis of Presentation.

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

Government-wide Financial Statements:

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

CARROLI

Notes to Financial Statements For the Year Ended September 30, 2009

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

Fund Financial Statements:

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

D. Measurement Focus and Basis of Accounting.

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

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

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

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

CARROLI

Notes to Financial Statements For the Year Ended September 30, 2009

The county reports the following major Governmental Funds:

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

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

MS Development Authority CAP Anel Bldg 1 & S Fund - This fund is used to account for resources accumulated and used for the payment of long-term debt principal, interest and related costs of borrowing for the Anel project.

The county reports the following major Proprietary Fund:

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

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

PROPRIETARY FUND TYPES

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

FIDUCIARY FUND TYPES

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

E. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

CARROLI

Notes to Financial Statements For the Year Ended September 30, 2009

F. Deposits and Investments.

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

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value.

G. Receivables.

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

H. Interfund Transactions and Balances.

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

I. Restricted Assets.

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

J. Capital Assets.

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

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

CARROLI

Notes to Financial Statements
For the Year Ended September 30, 2009

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

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

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

K. Long-term Liabilities.

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

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

L. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

CARROLI

Notes to Financial Statements
For the Year Ended September 30, 2009

Fund Financial Statements:

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

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

M. Property Tax Revenues.

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

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

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

N. Intergovernmental Revenues in Governmental Funds.

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

O. Compensated Absences.

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

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Notes to Financial Statements
For the Year Ended September 30, 2009

(2) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2009, was \$4,483,240 and the bank balance was \$4,779,297. 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 administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

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

Investments:

Investments balances at September 30, 2009 are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Hancock Horizon Governmental MMF Class A	Less than One Year	\$ 1,764,451
Total		\$ <u>1,764,451</u>

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

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

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

CARROLI

Notes to Financial Statements
For the Year Ended September 30, 2009

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2009.

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Bridge Fund	General	\$ 5,112
Other Governmental Funds	General	<u>30,771</u>
Total		<u>\$ 35,883</u>

The receivables represent the tax revenue collected but not settled until October, 2009. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	Other Governmental Funds	\$ 107,078
Other Governmental Funds	General	<u>50,000</u>
Total		<u>\$ 157,078</u>

The purpose of interfund transfers was to distribute county escrow funds to Districts 2 and 3 for operations, and to close Beat 2 sanitation funds into countywide sanitation fund. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2009, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tag credit	\$ 52,772
Reimbursement for food stamps	3,737
FEMA grant	17,459
Timber severance tax	225
Garbage fees	2,400
Motor vehicle tax	18,035
Truck & bus privilege tax	10,355
Harvest permits	1,115
Overweight fines	215
Waste treatment fees	336
State aid roads	1,382
Illegal dump aid	<u>2,768</u>
Total Governmental Activities	<u>\$ 110,799</u>

CARROLI

Notes to Financial Statements
For the Year Ended September 30, 2009

Description	Amount
Business-type Activities:	
Reimbursement for housing prisoners	\$ 249,813
Total Business-type Activities	<u>\$ 249,813</u>

(5) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2009:

Governmental Activities:

	Balance Oct. 1, 2008	Additions	Deletions	Adjustments *	Balance Sept.30, 2009
<u>Non Depreciable Capital Assets</u>					
Land	\$ 185,419	3,500			188,919
Construction in progress	148,712	805,334		(77,291)	876,755
Total Non Depreciable Capital Assets	<u>334,131</u>	<u>808,834</u>	<u>0</u>	<u>(77,291)</u>	<u>1,065,674</u>
<u>Depreciable Capital Assets</u>					
Infrastructure	5,316,132			77,291	5,393,423
Buildings	1,460,535				1,460,535
Mobile equipment	4,990,057	236,682	144,966	241,550	5,323,323
Furniture and equipment	152,613	20,040			172,653
Leased property under capital leases	886,628	156,498	82,500	(241,550)	719,076
Total Depreciable Capital Assets	<u>12,805,965</u>	<u>413,220</u>	<u>227,466</u>	<u>77,291</u>	<u>13,069,010</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	346,441	123,051			469,492
Buildings	423,826	27,845			451,671
Mobile equipment	3,686,685	266,522	104,229	110,070	3,959,048
Furniture and equipment	105,174	13,538			118,712
Leased property under capital leases	277,756	99,423	22,275	(110,070)	244,834
Total Accumulated Depreciation	<u>4,839,882</u>	<u>530,379</u>	<u>126,504</u>	<u>0</u>	<u>5,243,757</u>
Total Depreciable Capital Assets - Net	<u>7,966,083</u>	<u>(117,159)</u>	<u>100,962</u>	<u>77,291</u>	<u>7,825,253</u>
Governmental Activities					
Capital Assets - Net	<u>\$ 8,300,214</u>	<u>691,675</u>	<u>100,962</u>	<u>0</u>	<u>8,890,927</u>

CARROLI

Notes to Financial Statements
For the Year Ended September 30, 2009

Business-type Activities:

	Balance Oct. 1, 2008	Additions	Deletions	Adjustments *	Balance Sept.30, 2009
<u>Depreciable Capital Assets</u>					
Buildings	\$ 4,575,063				4,575,063
Mobile equipment	190,228		19,830		170,398
Furniture and equipment	223,223				223,223
Leased property under capital leases	0				0
 Total Depreciable Capital Assets	 4,988,514	 0	 19,830	 0	 4,968,684
<u>Less accumulated depreciation for:</u>					
Buildings	915,012	91,502			1,006,514
Mobile equipment	143,889	9,649	17,846		135,692
Furniture and equipment	192,721	1,363			194,084
Leased property under capital leases	0				0
 Total Accumulated Depreciation	 1,251,622	 102,514	 17,846	 0	 1,336,290
 Total Depreciable Capital Assets, Net	 \$ 3,736,892	 (102,514)	 1,984	 0	 3,632,394

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

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

Depreciation expense was charged to the following functions:

	Amount
<u>Governmental activities:</u>	
General government	23,950
Parks and recreation	\$ 9,557
Public safety	160,816
Public works	326,557
Health and welfare	9,499
 Total governmental activities depreciation expense	 \$ 530,379
<u>Business-type activities:</u>	
Correctional facility	\$ 102,514

CARROLI

Notes to Financial Statements
For the Year Ended September 30, 2009

(6) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2009 to January 1, 2010. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(7) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2009:

<u>Classes of Property</u>	<u>Amount</u>
Buildings	\$ <u>813,539</u>

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2009, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 27,839	16,189
2011	31,885	18,029
2012	32,856	17,059
2013	33,854	16,059
2014	34,884	15,030
2015 - 2019	190,994	58,573
2020 - 2024	221,862	27,705
2025 - 2029	<u>69,155</u>	<u>1,566</u>
Total	\$ <u>643,329</u>	<u>170,210</u>

CARROLI

Notes to Financial Statements
For the Year Ended September 30, 2009

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2009:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 592,673
Other furniture and equipment	126,403
Less: Accumulated depreciation	<u>(244,834)</u>
Leased Property Under Capital Leases	<u>\$ 474,242</u>

The following is a schedule by years of the total payments due as of September 30, 2009:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 243,257	14,770
2011	88,203	7,252
2012	97,650	3,526
2013	30,070	832
2014	<u>6,890</u>	<u>42</u>
Total	<u>\$ 466,070</u>	<u>26,422</u>

(8) Long-term Debt.

Debt outstanding as of September 30, 2009, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds: 1998 refunding bonds	<u>\$ 490,000</u>	4.15/4.50%	07/12
B. Special Assessment Debt with Commitments:			
Wildridge Estates Road*	20,255	6.00%	04/16
County Road 313**	8,101	5.00%	06/14
County Road 365***	<u>8,613</u>	6.00%	06/18
Total Special Assessment Debt with Commitments	<u>\$ 36,969</u>		

CARROLI

Notes to Financial Statements
For the Year Ended September 30, 2009

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
C. Capital Leases:			
2000 12H motor grader	\$ 1,451	3.29%	10/09
2005 Dodge Ram 4X4	3,672	4.14%	06/10
2005 Dodge Ram	2,761	3.91%	04/10
Konica Bizhub 600 copier	1,943	4.52%	04/10
1998 Mack dump truck	19,661	4.76%	11/11
1994 Mack dump truck	7,512	4.66%	02/11
2007 Volvo motor grader	146,156	4.20%	02/10
2008 Crown Victoria	17,031	3.44%	05/11
2008 Crown Victoria	17,031	3.44%	05/11
2008 Crown Victoria	17,031	3.44%	05/11
E911 radio equipment	17,085	3.58%	04/13
2007 Mack dump truck	83,045	3.80%	05/12
Computer equipment	108,928	3.69%	12/13
Bushhog rotary cutter	7,109	3.80%	12/11
JD 2550 tractor w/Alamo mower	8,789	3.49%	11/11
Flexwing bushhog rotary cutter	6,865	3.88%	10/12
Total Capital Leases	\$ 466,070		
D. Other Loans:			
CAP loan 299 - fire protection	\$ 7,449	3.00%	09/10
CAP loan 329 - fire protection	31,805	3.00%	11/11
CAP loan - fire protection	17,008	2.00%	05/13
CAP loan - Anel Building	645,718	3.00%	03/26
CAP loan - fire protection	63,155	2.00%	06/17
Total Other Loans	\$ 765,135		
Business-type Activities:			
Limited Obligation Bonds:			
Urban renewal refunding revenue bonds****	\$ 3,490,000	3.00/4.00%	12/17

CARROLL COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

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

Governmental Activities:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>		<u>Special Assessment Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 155,000	21,813	4,743	2,135
2011	165,000	14,993	4,893	1,871
2012	170,000	7,650	5,169	1,594
2013			5,464	1,300
2014			5,712	1,053
2015 - 2019			10,988	1,252
Total	\$ 490,000	44,456	36,969	9,205

<u>Year Ending September 30</u>	<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 61,312	21,182
2011	55,996	19,622
2012	50,685	18,175
2013	49,207	16,843
2014	43,126	15,576
2015 - 2019	213,794	59,206
2020 - 2024	221,861	27,705
2025 - 2029	69,154	1,566
Total	\$ 765,135	179,875

Business-type Activities:

<u>Year Ending September 30</u>	<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 200,000	110,478
2011	375,000	101,742
2012	380,000	91,830
2013	395,000	81,174
2014	405,000	69,667
2015 - 2019	1,735,000	132,307
Total	\$ 3,490,000	587,198

CARROLL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2009

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, 2009, the amount of outstanding debt was equal to .83% of the latest property assessments.

Special Assessment Debt with Commitments

- * Special assessment debt of \$35,905 was issued on September 14, 2001, to pave roads under the provisions of Section 65-19-88, Miss. Code Ann. (1972). A special assessment tax was levied against all of the benefitted property owners. The other benefitted owners agreed to share in the levied taxes of one owner who would not participate. The county will levy annually this special assessment tax upon all taxable property in the benefitted area of Wildridge Estates subdivision adequate and sufficient to provide for the payment of the principal and interest on the bonds as the same falls due over a period of fifteen years. The principal balance outstanding at September 30, 2009, is \$20,255.
- ** Special assessment debt of \$14,800 was issued on October 4, 2004, to pave roads under the provisions of Section 65-19-88, Miss. Code Ann. (1972). A special assessment tax was levied against all of the benefitted property owners. The county will levy annually this special assessment tax upon all taxable property in the benefitted area of County Road 313 adequate and sufficient to provide for the payment of the principal and interest on the bonds as the same falls due over a period of ten years. The principal balance outstanding at September 30, 2009, is \$8,101.
- *** Special assessment debt of \$9,368 was issued on June 2, 2008, to pave roads under the provisions of Section 65-19-88, Miss. Code Ann. (1972). A special assessment tax was levied against all of the benefitted property owners. The county will levy annually this special assessment tax upon all taxable property in the benefitted area of County Road 365 adequate and sufficient to provide for the payment of the principal and interest on the bonds as the same falls due over a period of ten years. The principal balance outstanding at September 30, 2009, is \$8,613.

Limited Obligation Bonds

- **** Limited obligation urban renewal revenue refunding bonds, designed as "qualified tax exempt obligations" for purposes of Section 265 of the Internal Revenue Code of 1986, were issued with a face value of \$3,490,000 for the purpose of refinancing limited obligation renewal bonds issued December 1, 1997, issued for the construction and equipping of the Carroll-Montgomery Regional Correctional Facility. The bonds are not a general obligation of the county and, therefore, are not secured by the full faith and credit of the county. The sole source of payment for the revenue bonds is income derived from an inmate housing agreement with the Mississippi Department of Corrections for housing state prisoners and income received from any other governments for housing and holding prisoners.

Current Refunding - Limited Obligation Bonds

On May 26, 2009, Carroll County issued \$3,490,000 in limited obligation revenue bonds with interest rates of 2.50% to 4.00% to refund the outstanding Series 1997, Mississippi Urban Renewal Revenue Bonds. The County refunded these bonds to reduce its total debt service payments over the next 9 years by \$434,354 and will realize an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$388,207.

CARROLL COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2009:

	Balance Oct. 1, 2008	Additions	Reductions	Adjustments	Balance Sept.30, 2009	Amount due within one year
Governmental Activities:						
General obligation bonds	\$ 640,000		150,000		490,000	155,000
Special assessment debt with commitments	31,996	9,368	4,395		36,969	4,743
Capital leases	542,544	156,498	232,972		466,070	243,257
Other loans	828,058		62,923		765,135	61,312
Total	\$ 2,042,598	165,866	450,290	0	1,758,174	464,312
Business-type Activities:						
Compensated absences	\$ 11,035	1,738			12,773	0
Limited obligation bonds	3,890,000	3,490,000	3,890,000		3,490,000	200,000
Total	\$ 3,901,035	3,491,738	3,890,000	0	3,502,773	200,000

(9) Contingencies.

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

(10) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Holmes Community College operates in a district composed of the Counties of Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Webster and Yazoo. The Carroll County Board of Supervisors appoints two of the 22 members of the college board of trustees. The county appropriated \$184,778 for maintenance and support of the college in fiscal year 2009.

North Central Planning and Development District operates in a district composed of the counties of Attala, Carroll, Grenada, Holmes, Leflore, Montgomery, and Yalobusha. The Carroll County Board of Supervisors appoints four of the 28 members of the district board of directors. The county appropriated \$14,606 for support of the district in the fiscal year 2009.

Region Six Mental Health/Mental Retardation Center Life Help operates in a district composed of the Counties of Attala, Carroll, Grenada, Holmes, Humphreys, Leflore, Montgomery and Sunflower. The Carroll County Board of Supervisors appoints one of the eight members of the board of commissioners. The county appropriated \$25,000 for support of the center in fiscal year 2009.

CARROLL

Notes to Financial Statements
For the Year Ended September 30, 2009

Yazoo-Mississippi Water Management District operates in a district composed of the Counties of Bolivar, Carroll, Coahoma, DeSoto, Holmes, Humphreys, Issaquena, Leflore, Panola, Quitman, Sharkey, Sunflower, Tallahatchie, Tate, Tunica, Washington and Yazoo. The Carroll County Board of Supervisors appoints one of the 21 members of the district board of commissioners. The county appropriated \$3,330 for the support of the district in the fiscal year 2009.

Mississippi Regional Housing Authority IV operates in a district composed of the Counties of Carroll, Choctaw, Clay, Grenada, Lowndes, Montgomery, Oktibbeha, Webster and Winston. The Carroll County Board of Supervisors appoints one of the 9 members of the board of commissioners. The county did not appropriate for the support of the authority in the fiscal year 2009.

(11) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2009 was 12.00% 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, 2009, 2008 and 2007 were \$411,736, \$408,945 and \$374,850 respectively, equal to the required contributions for each year.

(12) Subsequent to September 30, 2009, the county issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
12/30/2009	3.30%	\$ 23,809	Lease/purchase	Ad valorem taxes
1/21/2010	4.50%	\$ 3,500	Lease/purchase	District 5 Road Fund
6/29/2010	3.00%	\$ 133,876	CAP loan	Ad valorem taxes and state sources

CARROLL COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

CARROLL COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2009

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,797,673	2,733,334	2,733,333	1
Licenses, commissions and other revenue	86,680	95,563	95,562	1
Fines and forfeitures	154,182	188,154	188,154	0
Charges for services	6,600	5,092	5,092	0
Intergovernmental revenues	293,117	294,138	294,138	0
Interest income	20,500	6,361	6,361	0
Miscellaneous revenues	8,321	9,975	29,007	(19,032)
Total Revenues	<u>3,367,073</u>	<u>3,332,617</u>	<u>3,351,647</u>	<u>(19,030)</u>
EXPENDITURES				
Current:				
General government	2,201,889	2,134,152	2,160,651	(26,499)
Public safety	787,448	807,283	773,124	34,159
Public works	8,659		7,663	(7,663)
Health and welfare	95,000	86,477	86,476	1
Culture and recreation	122,380	127,622	127,623	(1)
Conservation of natural resources	82,777	85,628	85,629	(1)
Economic development	14,606	14,606	14,606	0
Debt service:				0
Principal		42,057	42,057	0
Interest		3,069	3,069	0
Total Expenditures	<u>3,312,759</u>	<u>3,300,894</u>	<u>3,300,898</u>	<u>(4)</u>
Excess of Revenues over (under) Expenditures	<u>54,314</u>	<u>31,723</u>	<u>50,749</u>	<u>(19,026)</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets				0
Proceeds from sale of capital assets				0
Proceeds from long-term debt				0
Transfers in	51,000	19,025		19,025
Transfers out	(101,814)	(50,000)	(50,000)	0
Total Other Financing Sources and Uses	<u>(50,814)</u>	<u>(30,975)</u>	<u>(50,000)</u>	<u>19,025</u>
Net Change in Fund Balance	3,500	748	749	(1)
Fund Balances - Beginning	<u>390,000</u>	<u>300,000</u>	<u>395,277</u>	<u>(95,277)</u>
Fund Balances - Ending	<u>\$ 393,500</u>	<u>300,748</u>	<u>396,026</u>	<u>(95,278)</u>

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

CARROLL COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Bridge Fund
 For the Year Ended September 30, 2009

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 311,140	268,499	268,500	1
Intergovernmental revenues		267,499	267,499	0
Interest income	6,000	7,207	7,207	0
Total Revenues	<u>317,140</u>	<u>543,205</u>	<u>543,206</u>	<u>1</u>
EXPENDITURES				
Current:				
Public works	315,354	605,217	605,217	0
Debt service:				
Principal				0
Interest				0
Total Expenditures	<u>315,354</u>	<u>605,217</u>	<u>605,217</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>1,786</u>	<u>(62,012)</u>	<u>(62,011)</u>	<u>1</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets				0
Transfers out				0
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	1,786	(62,012)	(62,011)	1
Fund Balances - Beginning	<u>1,000,000</u>	<u>657,776</u>	<u>1,107,516</u>	<u>449,740</u>
Fund Balances - Ending	<u>\$ 1,001,786</u>	<u>595,764</u>	<u>1,045,505</u>	<u>449,741</u>

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

CARROLL COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2009

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>Bridge Fund</u>
Budget (Cash Basis)	\$ 749	(62,011)
Increase (Decrease)		
Net adjustments for revenue accruals	(16,686)	788,652
Net adjustments for expenditure accruals	<u>31,279</u>	<u>(789,466)</u>
GAAP Basis	<u>\$ 15,342</u>	<u>(62,825)</u>

CARROLL COUNTY

SUPPLEMENTAL INFORMATION

CARROLL COUNTY
Reconciliation of Operating Costs of Solid Waste
For Year Ended September 30, 2009

Operating Expenditures, Cash Basis:

Salaries	\$	50,881
Expendable Commodities:		
Gasoline and petroleum products		16,764
Repair parts		1,389
Repairs and maintenance		1,495
Solid waste disposal fee		446,665
Supplies		<u>14,430</u>

Solid Waste Cash Basis Operating Expenditures 531,624

Full Cost Expenses:

Indirect administrative costs		10,166
Depreciation on equipment		34,131
Net effect of other accrued expenses		<u>32,943</u>

Solid Waste Full Cost Operating Expenses \$ 608,864

CARROLL COUNTY

SPECIAL REPORTS

Windham and Lacey, PLLC

Certified Public Accountants

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Members:
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Mississippi Society of CPAs

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

Members of the Board of Supervisors
Carroll County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Carroll County, Mississippi, as of and for the year ended September 30, 2009, which collectively comprise the county's basic financial statements and have issued our report thereon dated December 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 09-1 to be a significant deficiency in internal control over financial reporting.

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

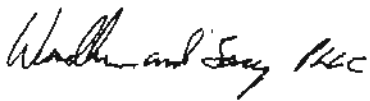
Our consideration of the internal control over financial reporting was for limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose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

Compliance and Other Matters

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

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

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



Windham and Lacey, PLLC
December 15, 2010

Windham and Lacey, PLLC

Certified Public Accountants

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

Members of the Board of Supervisors
Carroll County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Carroll County, Mississippi, as of and for the year ended September 30, 2009. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

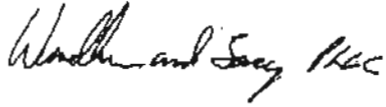
The Board of Supervisors of Carroll County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing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

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

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

The accompanying schedules of (1) purchases not made from the lowest bidder, (2) emergency purchases and (3) purchases made noncompetitively from a sole source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned study and evaluation of the purchasing system and, in our opinion, is fairly presented when considered in relation to that study and evaluation.

This report is intended for use in evaluating the central purchasing system and inventory control system of Carroll County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "Windham and Lacey, PLLC".

Windham and Lacey, PLLC
December 15, 2010

CARROLL COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2009

Schedule 1

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

CARROLL COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2009

Schedule 2

Our test results did not identify any emergency purchases.

CARROLL COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2009

Schedule 3

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

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

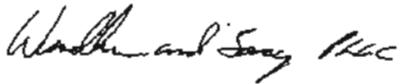
Members of the Board of Supervisors
Carroll County, Mississippi

In planning and performing our audit of the financial statements of Carroll County, Mississippi for the year ended September 30, 2009, we considered Carroll County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Carroll County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated December 15, 2010, on the financial statements of Carroll County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the 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 transaction for this or other fiscal years to ensure compliance with legal requirements.

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



Windham and Lacey, PLLC
December 15, 2010

CARROLL COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

CARROLL COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2009

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|-------------------------------------------------------------------------------------|-------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental activities | Unqualified |
| | Business-type activities | Unqualified |
| | General Fund | Unqualified |
| | Bridge Fund | Unqualified |
| | MS Development Authority CAP Anel Bldg I & S Fund | Unqualified |
| | Aggregate remaining fund information | Unqualified |
| 2. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | No |
| b. | Significant deficiency identified that is not considered to be a material weakness? | Yes |
| 3. | Noncompliance material to the financial statements? | None noted |

CARROLL COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2009

Section 2: Financial Statement Findings

Chancery Clerk.

Significant Deficiency

09-1. Finding

An effective system of internal control includes a separation of duties. As reported in the last 16 years' audit reports, observations revealed that there is not an adequate separation of duties in the accounting functions. Failure to have an adequate separation of duties could result in the loss of public funds due to the mishandling of funds.

Recommendation

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

Chancery Clerk's Response

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