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HUMPHREYS COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2009

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

HUMPHREYS COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION	1
INDEPENDENT AUDITOR'S REPORT	3
FINANCIAL STATEMENTS	5
Statement of Net Assets	6
Statement of Activities	7
Balance Sheet - Governmental Funds	8
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	9
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Statement of Fiduciary Assets and Liabilities	13
Notes to Financial Statements	15
REQUIRED SUPPLEMENTARY INFORMATION	29
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) General Fund	30
Notes to the Required Supplementary Information	31
SPECIAL REPORTS	33
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 <i>Government Auditing Standards</i>	34
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)	36
Limited Internal Control and Compliance Review Management Report	42
SCHEDULE OF FINDINGS AND RESPONSES	46

HUMPHREYS COUNTY

FINANCIAL SECTION

HUMPHREYS COUNTY

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Humphreys County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Humphreys County, Mississippi, as of and for the year ended September 30, 2009, which collectively comprise the county's basic financial statements as listed in the table of contents, and have issued our report thereon dated, January 7, 2011. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Humphreys County Library, a component unit, which represents 100 percent, of the assets, net assets and revenues of the aggregate discretely presented component unit column. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component unit, is based solely on the report of other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Humphreys County, Mississippi as of September 30, 2009, 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.

As discussed in Note 2, the county adopted the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2011, on our consideration of Humphreys County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Humphreys County, Mississippi, has not presented Management's Discussion and Analysis and the Schedule of Funding Progress - Other Postemployment Benefits, that are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board.

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

Bridgers & Company, P.C.

BRIDGERS & COMPANY, P.C.

Certified Public Accountants

Vicksburg, Mississippi

January 7, 2011

HUMPHREYS COUNTY

FINANCIAL STATEMENTS

Humphreys County
Statement of Net Assets
September 30, 2009

Exhibit 1

	Primary Government Governmental Activities	Component Unit Humphreys County Library
ASSETS		
Cash	\$ 2,876,396	203,894
Cash on deposit with risk pool		
Property tax receivable	3,369,000	
Accounts receivable, (net of allowance for uncollectibles of \$ 1,541,546)	63,401	3,458
Fines receivable, (net of allowance for uncollectibles of \$ 173,885)	5,958	
Intergovernmental receivables	125,600	
Other receivables	32,217	
Inventories and prepaids		
Capital assets:		
Land and construction in progress	226,559	
Other capital assets, net	24,736,852	28,075
Total Assets	\$ 31,435,983	235,427
LIABILITIES		
Claims payable	566,335	8,340
Claims and judgments payable	18,022	
Intergovernmental payables	596,851	
Accrued interest payable	72,901	
Deferred revenue	3,369,000	
Other payables	26,451	
Long-term liabilities		
Other postemployment benefits payable	8,900	
Due within one year:		
Capital related debt	616,345	
Non-capital debt	300,000	
Due in more than one year:		
Capital related debt	2,606,995	
Non-capital debt	340,508	
Total Liabilities	8,522,308	8,340
NET ASSETS		
Invested in capital assets, net of related debt	21,740,071	28,075
Restricted:		
Expendable:		
Debt service		
Public safety	267,683	
Public works	1,077,877	
Culture and recreation		
Unrestricted	-171,956	199,012
Total Net Assets	\$ 22,913,675	227,087

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

Humphreys County
Statement of Activities
For the Year Ended September 30, 2009

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	Component Units Humphreys County Library
Primary government.						
Governmental activities.						
General government	\$ 2,943,496	227,067			-2,716,429	
Public safety	1,296,132	143,531	389,272		-763,329	
Public works	2,452,481	199,772	459,955	136,848	-1,655,908	
Health and welfare	214,566		22,551		-192,015	
Culture and recreation	42,698				-42,698	
Conservation of natural resources	180,555		135,408		-160,555	
Economic development and assistance	247,833				-112,425	
Interest on long-term debt	60,658				-60,658	
Total Governmental Activities	\$ 7,418,419	570,370	1,007,186	136,848	-5,704,015	
Component Units						
Humphreys County Library	154,769	7,761	73,153			-73,856
General revenues:						
Property taxes				\$	5,512,694	
Road & bridge privilege taxes					88,650	
Grants and contributions not restricted to specific programs					357,257	42,500
Unrestricted investment income					60,097	1,845
Miscellaneous					222,617	18,500
Total General Revenues					6,241,305	62,845
Changes in Net Assets					537,290	-11,010
Net Assets - Beginning					3,829,464	238,097
Prior period adjustments					18,546,921	
Net Assets - Ending				\$	22,913,675	227,087

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

Huntleighs County
 Balance Sheet - Governmental Funds
 September 30, 2009

Exhibit 3

	Major Fund			Total Governmental Funds
	General Fund	Other Governmental Funds		
ASSETS				
Cash	1,540,207	1,336,189		2,876,396
Property tax receivable	2,140,000	1,229,000		3,369,000
Accounts receivable (net of allowance for uncollectibles of \$ 1,541,646)		83,401		83,401
Fines receivable (net of allowance for uncollectibles of \$ 173,885)	5,958			5,958
Intergovernmental receivables	24,370	101,230		125,600
Advances to other funds	83,103	20,554		103,657
Due from other funds		105,138		105,138
Other receivables	317	31,900		32,217
Total Assets	3,793,955	2,887,412		6,681,367
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	247,762	318,573		566,335
Claims and judgments payable	18,022			18,022
Intergovernmental payables	566,861			566,861
Due to other funds	105,138			105,138
Advances from other funds	20,554	83,103		103,657
Deferred revenue	2,145,968	1,292,401		3,438,369
Other payables	26,451			26,451
Total Liabilities	3,160,736	1,694,077		4,854,813
Fund balances				
Reserved for:				
Advances	83,103	20,554		103,657
Debt service				0
Unreserved, reported in General Fund	550,116			550,116
Special Revenue Funds		1,172,781		1,172,781
Total Fund Balances	633,219	1,193,335		1,826,554
Total Liabilities and Fund Balances	\$ 3,793,965	2,887,412		6,681,367

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

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

Exhibit 3-1

Amount

Total fund balance - Governmental Funds \$ 1,826,554

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. 24,963,411

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 69,359

Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds. -3,872,748

Accrued interest payable is not due and payable in the current - period and, therefore, is not reported in the funds. -72,901

Total Net Assets - Governmental Activities \$ 22,913,675

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

Humphreys County

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

Exhibit 4

	Major Funds			Total Governmental Funds
	General Fund	Other Governmental Funds		
REVENUES				
Property taxes	\$ 3,196,583	2,316,111		5,512,694
Road and bridge privilege taxes		88,650		88,650
Licenses, commissions and other revenue	148,018			148,018
Fines and forfeitures	113,363			113,363
Intergovernmental revenues	396,541	1,104,750		1,501,291
Charges for services	18,715	291,547		310,262
Interest income	27,663	32,424		60,087
Miscellaneous revenues	190,108	29,157		219,265
Total Revenues	4,090,991	3,862,639		7,953,630
EXPENDITURES				
Current:				
General government	2,907,401	20,824		2,928,225
Public safety	1,182,021	132,888		1,314,909
Public works	69,845	2,111,004		2,180,849
Health and welfare	76,862	124,960		201,822
Culture and recreation	42,698			42,698
Conservation of natural resources	136,899			136,899
Economic development and assistance	32,075	215,758		247,833
Debt service:				
Principal	164,582	582,495		747,077
Interest	32,972	134,235		167,207
Total Expenditures	4,645,355	3,322,164		7,967,519
Excess of Revenues over (under) Expenditures	-554,364	540,475		-13,889

OTHER FINANCING SOURCES (USES)

Long-term capital debt issued	79,228	79,228
Refunding bonds issued		0
Proceeds from sale of capital assets	8,528	8,528
Payment to bond escrow agent		
Total Other Financing Sources and Uses	<u>0</u>	<u>87,756</u>
Net Changes in Fund Balances	-554,364	628,231
Fund Balances - Beginning	1,187,583	565,104
		<u>1,752,687</u>
Fund Balances - Ending	<u>\$ 633,219</u>	<u>1,193,335</u>
		<u>1,826,554</u>

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

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

Exhibit 4-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 73,867
<p>Amounts reported for governmental activities in the Statement of Activities are different because</p>	
<p>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 \$388,090 exceeded depreciation of \$690,446 in the current period.</p>	-302,356
<p>In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources and loss from the sale of capital assets decreases financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the gain of \$ 3,352 and the proceeds from the sale of \$ 8,528 in the current period.</p>	-5,176
<p>Fine revenue recognized on the modified accrual basis in the funds during the current year, is increased because fines receivable increased representing revenue which would be required to be recognized on the Statement of Activities using the full-accrual basis of accounting.</p>	512
<p>Garbage collection revenue recognized on the modified accrual basis in the funds during the current year, decreased because funds were collected for which prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.</p>	-1,785
<p>Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$ 747,077, are exceeded debt proceeds of \$ 79,228.</p>	667,849
<p>Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting, when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balance by a combination of the following items</p>	
<p>The amount of decrease in:</p> <p style="padding-left: 20px;">Interest payable</p>	106,549
<p>The amount of decrease in:</p> <p style="padding-left: 20px;">Compensated absences</p>	-2,170
Change in Net Assets of Governmental Activities	<u>\$ 537,290</u>

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

Humphreys County
Statement of Fiduciary Assets and Liabilities
September 30, 2009

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 172,436
	<hr/>
Total Assets	<u>172,436</u>
LIABILITIES	
Intergovernmental payables	172,436
	<hr/>
Total Liabilities	<u>\$ 172,436</u>

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

HUMPHREYS COUNTY

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Humphreys County

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

(1) Summary of Significant Accounting Policies.

A Financial Reporting Entity.

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

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

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

B. Individual Component Unit Disclosures.

Discretely Presented Component Unit

The component unit column in the financial statements include the financial data of the following component unit of the county. It is reported in a separate column to emphasize that it is legally separate from the county. All members of the governing body of the component unit are appointed by the county Board of Supervisors.

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

C. Basis of Presentation

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

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Humphreys County

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

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

Fund Financial Statements:

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

D. Measurement Focus and Basis of Accounting.

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

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

Humphreys County

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

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants.

FIDUCIARY FUND TYPE

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

E. Account Classifications.

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

F. Deposits and Investments.

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

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

G. Receivables.

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

H. Interfund Transactions and Balances.

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

Humphreys County

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

I Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized, however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

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

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

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

J. Long-term liabilities.

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

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

K Equity Classifications.

Government-wide Financial Statements:

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

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

Humphreys County

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

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

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

Fund Financial Statements:

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

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

L Property Tax Revenues.

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

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

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

M. Intergovernmental Revenues in Governmental Funds.

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

N Compensated Absences.

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

Humphreys County

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

(2) Changes in Accounting Standards.

For the fiscal year ended September 30, 2009, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions. The provisions of this standard has been incorporated in Note 9.

(3) Prior Period Adjustments.

A summary of significant fund equity adjustments are as follows:

Exhibit 2 - Statement of Activities.

Explanation	Amount
To properly record capital asset accumulated depreciation and infrastructure.	18,555,821
To properly record postemployment benefits payable.	-8,900
Total prior period adjustments	<u>18,546,921</u>

(4) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2009, was \$3,048,832, and the bank balance was \$ 3,343,171. 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 (FDIC).

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.

(5) Interfund Transactions and Balances

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

Due From / To Other Funds

A.	<u>Receivable Fund</u>	<u>Payable Fund</u>	Amount
	Other Governmental Funds	General Fund	\$ 105,138
	Total		<u>\$ 105,138</u>

Receivables in the amount of \$16,488 represent the tax revenue collected but not settled until after September 30, 2009. These interfund balances are expected to be repaid one year from the date of the financial statements. The remaining amount of \$88,650 represents road and bridge privilege tax recorded in the General Fund in error.

Humphreys County

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

B. Advances to / from Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 83,103
Other Governmental Funds	General Fund	20,554
Total		<u>\$ 103,657</u>

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

(6) Intergovernmental Receivables:

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

General:	Receivables
Legislative Credit	\$ 24,370
CDBG - MDA Home Program	80,350
State Aid Engineering	20,880
Total	<u>\$ 125,600</u>

(7) Capital Assets:

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

Governmental activities:

	Balance				Balance
	Oct 1, 2008	Additions	Deletions	Adjustments	Sept. 30, 2009
Non-depreciable capital assets					
Land	\$ 109,072			79,441	188,513
Construction in progress	141,902			-103,856	38,046
Total Non-depreciable capital assets	<u>250,974</u>	<u>0</u>	<u>0</u>	<u>-24415</u>	<u>226,559</u>
Depreciable capital assets:					
Infrastructure	444,214			56,548,119	56,992,333
Buildings	1,477,987			2,732,462	4,210,449
Improvements other than buildings	882,197			299,732	981,929
Mobile equipment	2,215,910	106,701	51,752	-35,163	2,235,696
Furniture and equipment	257,227	218,831		111,193	587,251
Leased property under capital leases	1,386,613	62,558		-123,871	1,325,300
Total depreciable capital assets	<u>6,404,148</u>	<u>388,090</u>	<u>51,752</u>	<u>59,532,472</u>	<u>66,332,958</u>
Less accumulated depreciation for:					
Infrastructure		185,200		37,481,454	37,666,654
Buildings		70,444		1,433,533	1,503,977
Improvements other than buildings		39,277		49,096	88,373
Mobile equipment		189,948	46,576	1,552,546	1,695,918
Furniture and equipment		58,045		238,914	296,959
Leased property under capital leases		147,532		196,893	344,225
Total accumulated depreciation	<u>0</u>	<u>690,446</u>	<u>46,576</u>	<u>40,952,236</u>	<u>41,596,106</u>
Governmental activities capital assets, net	<u>\$ 6,715,122</u>	<u>-302,356</u>	<u>5,176</u>	<u>18,555,821</u>	<u>24,963,411</u>

* Adjustments made are due to prior period adjustments

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

Depreciation expense was charged to the following functions.

Governmental Activities	
General Government	17,572
Public Safety	197,406
Public Works	439,068
Health and Welfare	12,744
Conservation	23,656
Total governmental activities depreciation expense	<u>690,446</u>

Commitments with respect to unfinished capital projects at September 30, 2009, consisted of the following.

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Healthcare Complex	\$ 898,000	July 2010

COMPONENT UNIT - HUMPHREYS COUNTY LIBRARY SYSTEM:

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

	Balance				Balance Sept. 30, 2009
	Oct. 1, 2008	Additions	Deletions	Adjustments	
Depreciable capital assets:					
Library collection (books, periodicals, audio visual and microfilm)	\$ 503,198	15,128			518,326
Total depreciable capital assets	<u>503,198</u>	<u>15,128</u>			<u>518,326</u>
Less accumulated depreciation for:					
Library collection (books, periodicals, audio visual and microfilm)	470,779	19,472			490,251
Total accumulated depreciation	<u>470,779</u>	<u>19,472</u>			<u>490,251</u>
Total capital assets being depreciated - net	<u>32,419</u>	<u>-4,344</u>			<u>28,075</u>
Governmental activities capital assets, net	<u>\$ 32,419</u>	<u>-4,344</u>			<u>28,075</u>

(8) Claims and Judgments:

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

The county finances its exposure to risk of loss relating to employees health and accident coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool. The pool is a claims-serving organization with the county retaining the risk of loss on all claims to which the county is exposed. Premium payments to the pool are determined on an actuarial basis. The county has reinsurance which functions on a specific stop loss coverage. This coverage is purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$ 25,000, and the aggregate policy covers all submitted claims in excess of \$ 308,098. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The following table provides changes in the balances of claims liabilities for fiscal years 2008 and 2009.

	2008	2009
Unpaid Claims, Beginning of Fiscal Year	206,505	99,792
Plus: Incurred Claims (Including IBNRs)	441,392	422,189
Less: Claims Payments	<u>548,105</u>	<u>540,003</u>
Unpaid Claims, End of Fiscal Year	<u>99,792</u>	<u>-18,022</u>

Humphreys County

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

(9) Other Postemployment Benefits.

Plan Description

The Humphrey County Board of Supervisors administers the county's health insurance plan which is authorized by Sections 25-15-101 et seq., Mississippi Code Ann. (1972). The county's health plan may be amended by the Humphreys County Board of Supervisors. The county purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan (the plan). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the county has a postemployment healthcare benefit payable under GASB Statement 45 as a single employer defined benefit health care plan. Effective October 1, 2008, the county implemented GASB Statement 45 and has elected to report as a liability, the accumulated differences between their actual contributions and the annual required contributions for prior years. The county does not issue a publicly available financial report of the Plan.

Funding Policy

No contributions towards other postemployment benefits (OPEB) are made. Employees' premiums are funded by the county with additional funding provided by retired employees and by active employees for spouse and dependent medical coverage. The Plan is funded on a pay-as-you-go basis. The Board of Supervisors, acting in conjunction with the commercial insurance company, has the sole authority for setting health insurance premiums for the county's health insurance plan.

Per Section 25-15-103, Mississippi Code Ann. (1972), any retired employee electing to purchase health insurance must pay the full cost of the insurance premium monthly to the county.

Actuarial Valuation

The County's Health Insurance Plan's Report of the Actuary on the Other Postemployment Benefits Valuation was prepared for the year ended September 30, 2009. The plan presently has an actuarial valuation performed annually. This valuation was used by the County in the determination of its outstanding Other Postemployment Benefits as of September 30, 2009.

Annual OPEB Cost and Net OPEB Obligation

The county's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC is determined assuming the plan would fund the OPEB liability on a pay-as-you-go basis. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. Information relating to the current year ARC and other information needed to comply with the disclosure requirements of GASB Statement 45 were not available to the county. Therefore, additional required information relating to OPEB Cost and Net OPEB Obligation, Funding Status and Funding Progress, and Actuarial Methods and Assumptions and the Schedule of Funding Progress - Other Postemployment Benefits, which is required supplemental information, are not included in this report.

(10) Capital Leases

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	\$ 1,325,300
Less: Depreciation	-344,225
	<hr/>
Leased Property Under Capital Leases	<u>\$ 981,075</u>

Humphreys County

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

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	\$ 271,054	35,067
2011	523,991	13,690
2012	64,962	3,002
2013	13,488	994
2014	9,444	211
Total	<u>\$ 882,939</u>	<u>52,964</u>

(11) Long - term Debt.

Debt outstanding as of September 30, 2009, consists 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			
2006 GO Refunding Bonds	\$ 385,000	4.300	06-16
2006 GO Refunding Bonds	1,595,000	4.000	05-17
2007 GO Bonds	345,000	3.900	11-12
Total General Obligation Bonds	<u>\$ 2,325,000</u>		
B. Capital Leases:			
Case 580M Backhoe	\$ 58,937	5.910	05-14
Three Crown Victoria patrol cars	37,815	3.250	03-11
Case 580M Backhoe	7,174	3.515	06-10
Case 580M Backhoe	7,174	3.515	06-10
Mac CV713 Dump Trucks 5ea	299,130	4.220	01-10
E-911 Equipment	150,188	4.340	09-12
Volvo G930 Graders 2 each	322,521	4.260	09-10
Total Capital Leases	<u>\$ 882,939</u>		
C. Other Loans			
Shortfall Note	\$ 615,000	3.700	07-11
Grass Cutting Tractor	15,401	6.300	06-12
Total Other Loans	<u>\$ 630,401</u>		

Humphreys 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

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2010	\$ 340,000	112,261	305,291	23,585
2011	295,000	80,540	320,639	12,137
2012	305,000	68,450	4,471	120
2013	325,000	55,823		
2014	265,000	43,920		
2015-2017	795,000	63,560		
Total	\$ 2,325,000	424,554	630,401	35,842

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2009, the amount of outstanding debt was equal to 6.86% of the latest property assessments.

Prior Year Defeasance of Debt - In prior years, the county defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the county's financial statements. On September 30, 2009, \$1,595,000 of bonds were considered defeased.

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

	Balance 10/1/2008	Additions	Reductions	Adjustments	Balance 9/30/2009	Amount due within one year
Governmental Activities						
Compensated absences	\$ 23,338	2,170			25,508	
Other loans	900,000	16,670	286,269		630,401	305,281
General obligation bonds	2,525,000		200,000		2,325,000	340,000
Capital leases	1,081,189	62,558	260,808		882,939	271,054
Total	\$ 4,529,527	81,398	747,077		3,863,848	916,345

Compensated absences will be paid from the funds from which employees' salaries were paid which are generally the General Fund, Road Maintenance District Funds, Garbage and Solid Waste Fund and E-911 Fund.

(12) Deficit Fund Balances of Individual Funds.

The following funds reported a deficit in fund balance at September 30, 2009

	Deficit Amount
General Fund	\$ 224,204
Garbage & Solid Waste	224,889
County Wide Bond I & S	165,539

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

(13) Contingencies

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

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

(14) Joint Venture.

The county participates in the following joint venture:

The North Central Task Force consists of Carroll, Claiborne, Grenada, Holmes, Humphreys, Leflore, Quitman, and Tunica Counties and the Cities of Ita Bena and Port Gibson. It is a multi-jurisdictional drug enforcement task force established to provide more widespread apprehension and prosecution of violators. The county appropriated \$ 9,675 for its support in fiscal year 2009.

(15) Jointly Governed Organizations

The county participates in the following jointly governed organizations:

Mississippi Delta Community College operates in a district composed of the counties of Bolivar, Coahoma, Humphreys, Issaquena, Leflore, Sharkey, Sunflower and Washington. The Humphreys County Board of Supervisors appoints two of the 20 members of the college board of trustees. The county appropriated \$ 98,308 for the support and maintenance of the college in 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 Humphreys County Board of Supervisors appoints one of the eight members of the board of commissioners. The county appropriated \$ 26,121 for its support in fiscal year 2009.

South Delta Planning and Development District operates in a district composed of the counties of Bolivar, Humphreys, Issaquena, Sharkey, Sunflower and Washington. The Humphreys County Board of Supervisors appoints one of the 22 members of the board of trustees. The county appropriated \$ 1,742 for the support of the district in fiscal year 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 Humphreys County Board of Supervisors appoints one of the members of the board of commissioners. The county appropriated \$29,607 to the district in fiscal year 2009.

Humphreys County

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

(16) Defined Benefit Pension Plan.

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

Funding Policy - PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2009 is 12% 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 \$236,214, \$215,851 and \$199,128, respectively, equal to the required contributions for each year.

(17) Subsequent Events

Subsequent to September 30, 2009, Humphreys County issued the following debt obligations.

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
10/1/09	4.38%	424,917	General Obligation Bonds	Ad Valorem Tax
6/25/10	3.34%	152,160	Capital lease	Ad Valorem Tax

HUMPHREYS COUNTY

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HUMPHREYS COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,525,000	3,862,045	3,862,045	0
Licenses, commissions and other revenue	100,500	146,225	146,225	0
Fines and forfeitures	126,000	128,444	128,444	0
Intergovernmental revenues	436,150	360,598	360,598	0
Charges for services	50,000	18,715	18,715	0
Interest income		27,500	27,500	0
Miscellaneous revenues	113,000	226,051	226,051	0
Total Revenues	<u>3,350,650</u>	<u>4,769,578</u>	<u>4,769,578</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	3,050,088	2,819,627	2,819,627	0
Public safety	1,023,100	1,074,805	1,074,805	0
Public works		69,845	69,845	0
Health and welfare	85,450	78,921	78,921	0
Culture and recreation	42,000	42,500	42,500	0
Conservation of natural resources	142,550	139,714	139,714	0
Economic development and assistance	41,400	32,075	32,075	0
Debt Service		197,555	197,555	0
Total Expenditures	<u>4,384,588</u>	<u>4,455,042</u>	<u>4,455,042</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>-1,033,938</u>	<u>314,536</u>	<u>314,536</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt				0
Proceeds from sale of capital assets				0
Other financing sources				0
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	-1,033,938	314,536	314,536	0
Fund Balance - Beginning	<u>1,033,938</u>	<u>155,517</u>	<u>155,517</u>	<u>0</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>470,053</u>	<u>470,053</u>	<u>0</u>

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

HUMPHREYS COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 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. The Budget Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

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

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

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

	General Fund
Net Change in Fund Balance - Budget (Cash Basis)	\$ 314,536
Increase (Decrease)	
Net adjustments for revenue accruals	-653,509
Net adjustments for expenditure accruals	-215,391
	<hr/>
Net Change in Fund Balance - GAAP Basis	\$ <u>554,364</u>

HUMPHREYS COUNTY

SUPPLEMENTAL INFORMATION

HUMPHREYS COUNTY

SPECIAL REPORTS

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CERTIFIED PUBLIC ACCOUNTANTS
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MEMBERS OF
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

Members of the Board of Supervisors
Humphreys County, Mississippi

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Humphreys County, Mississippi, as of and for the year ended September 30, 2009, which collectively comprise the county's basic financial statements and have issued our report thereon dated January 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits, contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Humphreys County Library System, as described in our report on Humphreys County, Mississippi's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting and on compliance and other matters that are reported separately by those auditors.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Responses, as items 09-1, 09-2 and 09-3 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 09-1 and 09-2, to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Humphreys County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 Humphreys 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 January 7, 2011, included within this document.

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

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

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

January 7, 2011

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

Members of the Board of Supervisors
Humphreys County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Humphreys County, Mississippi, as of and for the year ended September 30, 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 Humphreys County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). The Board of Supervisors of Humphreys County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

The results of our audit procedures disclose a certain instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response is disclosed below:

Inventory Control Clerk.

1 Finding

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

Recommendation

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

Inventory Control Clerk's Response

The Board of Supervisors will insure that the report is filed timely in the future.

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

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

Humphreys County's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

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

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

January 7, 2011

HUMPHREYS 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

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

Schedule 2

Our test results did not identify any emergency purchases.

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

Schedule 3

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

HUMPHREYS COUNTY

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Humphreys County, Mississippi

In planning and performing our audit of the financial statements of Humphreys County, Mississippi for the year ended September 30, 2009, we considered Humphreys 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 Humphreys 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 January 7, 2011, on the financial statements of Humphreys County, Mississippi.

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

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

Board of Supervisors.

1. Finding

As reported in the prior years' audit report, the county failed to file an amended final budget of all funds by October 31, 2009. Also the amended budget should be entered in the minutes by the aforementioned date. The Board of Supervisors must keep expenditures within the limits set by the budget. The amount approved to be expended for any item in the budget must not be exceeded. Expenditures exceeded the amounts budgeted in the General, Emergency Medical Ambulance, Law Library, Garbage and Solid Waste, District 2 Culvert and District 3 Culvert Funds. The Board may amend the budget by entering the amendment on the minutes using only forms prescribed by the Office of the State Auditor as stated in the Mississippi County Financial Accounting Manual.

Recommendation

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

Board of Supervisor's Response

The above recommendation will be implemented immediately.

2. Finding

Section 19-5-21, Miss. Code Ann. (1972), allows the county to levy a tax and/or collect a fee to dispose of solid waste. As reported in prior year's audit reports, a deficit fund balance exists in the garbage and solid waste fund. The deficit amount is \$133,698.

Recommendation

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

Board of Supervisors' Response

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

3. Finding

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

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

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

Recommendation

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

Board of Supervisors' Response

The Board will comply with the law.

4. 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. The avails of such levy should be maintained in a separate fund and shall not be expended until the State Tax Commission issues a certification. The Board of Supervisors did not isolate the special one mill tax. Since the avails were commingled in the General Fund, the county violated the code by expending the proceeds without prior written approval.

Recommendation

The Board of Supervisors should establish and maintain a separate fund to account for the special one mill levy and only expend the funds upon certification of the State Tax Commission

Board of Supervisors' Response

The Board of Supervisors will immediately begin isolating the special one mill and expend the funds only upon prior written approval by the State Tax Commission.

Chancery Clerk

5. Finding

Section 9-1-43, Miss. Code Ann (1972), requires funds to have cash available before checks are written. As reported in prior years' audit reports, checks were written from the garbage and solid waste fund which did not have sufficient cash available, resulting in a deficit cash balance at year end of \$ 169,060.

Recommendation

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

Chancery Clerk's Response

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

6 Finding

The Chancery Clerk paid individuals for various duties in his office in calendar year 2009. As reported in the prior year's audit report, the Chancery Clerk did not withhold or pay social security on these wages. They were not issued a form 1099 or W-2 and this income was not reported to the Internal Revenue Service.

Recommendation

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

Chancery Clerk's Response

I will comply with the law

7 Finding

Title 9, Chapter 1, Section 42 (1), requires that amounts due the county in excess of the salary limitation shall be deposited into the General Fund on or before April 15 for the preceding calendar year. As reported in the prior years' audit report, the Chancery Clerk exceeded the salary limitation by \$ 8,270 in 2009 and has not paid the excess amount to the county

Recommendation

Amount in excess of the salary limitation should be paid to the county.

Chancery Clerk's Response

The amounts will be paid as soon as possible.

Circuit Clerk.

8. Finding

Title 9, Chapter 1, Section 42 (1), requires that amounts due the county in excess of the salary limitation shall be deposited into the General Fund on or before April 15 for the preceding calendar year. The Circuit Clerk exceeded the salary limitation by \$ 12,806 in 2009 and has not paid the excess amount to the county.

Recommendation

Amount in excess of the salary limitation should be paid to the county.

Circuit Clerk's Response

The settlement will be made as soon as the funds are available.

9 Finding

An effective system of accounting for revenue includes the settlement of collections to the proper party in a timely manner. The Circuit Clerk did not settle fine and fee collections to the county timely. Failure to perform timely settlement of funds collected increases the possibility of loss or misappropriation of public funds.

Recommendation

The Circuit Clerk should settle collections to the proper party in a timely manner.

Circuit Clerk's Response

Every effort will be made to settle collections as prescribed by the state auditor.

Sheriff

10. Finding

As reported in the prior years' audit report, Title 9, Chapter 25, Section 73 (b), requires that the annual daily cost of feeding prisoners not exceed \$ 6 per day. The computation of meal cost per prisoner per day resulted in a cost of \$ 7.70 per day.

Recommendation

The Sheriff should make necessary changes in food procurement and preparation in order to comply with the \$6 per day limit.

Sheriff's Response

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

11. Finding

An effective system of internal control should include timely settlement of funds collected. Monies collected in June, July and August 2009 were all settled in September 2009. Failure to perform timely settlements increases the possibility of loss or misappropriation of public funds.

Recommendation

The Sheriff should settle collections to the proper parties in a timely manner.

Sheriff's Response

We will settle fees on or before the end of the month following collection.

12. Finding

Section 41-29-181, Miss. Code Ann. (1972), authorizes the procedure for disposition of seized and forfeited property and funds. Funds should be deposited into the General Fund and credited to the law enforcement budget, subject to the usual accounting and audit procedures of the county. The Sheriff maintained the 'seized and forfeited' funds separate from the county, which could lead to expenditures being made without the approval of the Board of Supervisors and noncompliance with state purchasing laws.

Recommendation

The Sheriff should settle all seized and forfeited funds to the county for deposit into the General Fund.

Sheriff's Response

I will transfer funds into the county general account.

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

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

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

January 7, 2011

HUMPHREYS COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

HUMPHREYS COUNTY

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

Section 1: Summary of Auditor's Results

Financial Statements:

1.	Type of auditor's report issued on the financial statements: Governmental activities Discretely presented component unit General Fund Aggregate remaining fund information	Unqualified Unqualified Unqualified Unqualified
2.	Internal control over financial reporting. a. Material weaknesses identified? b. Significant deficiency identified that are not considered to be a material weakness?	 Yes Yes
3.	Noncompliance material to the financial statements?	No

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency - Material Weakness

09-1 Finding

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

Recommendation

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

Board of Supervisors' Response

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

Significant Deficiency - Material Weakness

09-2 Finding

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

HUMPHREYS COUNTY

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

Recommendation

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

Board of Supervisors' Response

The Board is working to correct this finding.

Significant Deficiency

09-3

Finding

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

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

Recommendation

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

Board of Supervisors' Response

The Board is working to establish these controls.