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ITAWAMBA COUNTY, MISSISSIPPI

**Audited Financial Statements
and Special Reports**

For the Year Ended September 30, 2009

***The Sparks CPA Firm, P.C.
Certified Public Accountants***

ITAWAMBA COUNTY

TABLE OF CONTENTS

| | |
|---|-------|
| FINANCIAL SECTION | 1 |
| INDEPENDENT AUDITORS' REPORT | 2 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 3-10 |
| FINANCIAL STATEMENTS | 11 |
| Statement of Net Assets | 12 |
| Statement of Activities | 13 |
| Balance Sheet – Governmental Funds | 14 |
| Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets | 15 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds | 16 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 17 |
| Statement of Net Assets – Proprietary Fund | 18 |
| Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund | 19 |
| Statement of Cash Flows – Proprietary Fund | 20 |
| Statement of Fiduciary Net Assets | 21 |
| Statement of Changes in Fiduciary Net Assets | 22 |
| Notes to Financial Statements | 23-37 |
| REQUIRED SUPPLEMENTARY INFORMATION | 38 |
| Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis) | |
| General Fund | 39 |
| Tombigbee Tooling, Inc. Fund | 40 |
| Blue Fire Industrial Fund | 41 |
| Countywide Road Maintenance Fund | 42 |
| Notes to the Required Supplementary Information | 43-44 |
| SUPPLEMENTAL INFORMATION | 45 |
| Schedule of Expenditures of Federal Awards | 46 |
| SPECIAL REPORTS | 47 |
| Independent Auditors' 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> | 48-49 |
| Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 | 50-51 |
| Independent Auditors' Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972)) | 52-56 |
| Limited Internal Control and Compliance Review Management Report | 57-60 |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS | 61-64 |

FINANCIAL SECTION

204 5th Avenue SE
P.O. Box 1366
Red Bay, Alabama 35582-1366
Phone: (256) 356-9375
Fax: (256) 356-8378
E-mail: sparkscpa@bellsouth.net

The Sparks CPA Firm, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

2013 Avalon Avenue
P.O. Box 2321
Muscle Shoals, AL 35661
Phone: (256) 314-5082
Fax: (256) 314-5084

INDEPENDENT AUDITORS' REPORT

Members of the Board of Supervisors
Itawamba 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 Itawamba 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. 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 Itawamba 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 October 14, 2011, on our consideration of Itawamba 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.

The Management's Discussion and Analysis and 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 Itawamba County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied 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.

The Sparks CPA Firm, P.C.

The Sparks CPA Firm, P.C.
Certified Public Accountants
October 14, 2011

ITAWAMBA COUNTY

P.O. Box 776
Fulton, MS 38843-0776

STATE OF MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The discussion and analysis of Itawamba County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2009. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

Itawamba County is located in northern portion of Mississippi approximately 166 miles northeast of Jackson, Mississippi, the state Capital. The population, according to the 2000 census, is 22,770. The local economic base is driven primarily by manufacturing. The service economy consists primarily of tourism, recreation, health and education.

FINANCIAL HIGHLIGHTS

Itawamba County is financially stable. The County has committed itself to financial excellence for many years by using sound financial planning, budgeting, strong internal controls and keeping debt manageable. The County is committed to maintaining sound fiscal management to meet the challenges of the future.

Itawamba County is not currently growing economically or in population. We do not anticipate steady growth in tax revenues; however, because the County is taking measures to reduce expenses, a significant increase in millage is not anticipated. This does not include school tax increases.

Total net assets for governmental activities increased \$4,926,501, which represents a 38% increase from the prior fiscal year. The County's governmental activities ending cash balance increased \$3,108,047 from the prior fiscal year.

Total net assets for business-type activities decreased \$149,474, which represents a 21% decrease from the prior fiscal year. The business-type activities ending cash balance decreased \$127,110.

The County's governmental activities had \$12,153,055 in total revenues during the current fiscal year compared to \$8,609,650 during the fiscal year 2008. Tax revenues account for \$4,728,937 and \$4,786,942 or 39% and 56% of total revenues during the fiscal years ended 2009 and 2008 respectively. Federal, state and local government revenues in the form of reimbursements, shared revenue or grants, accounted for \$4,597,546 and \$1,152,644 or 38% and 14% of total revenues during fiscal years ended 2009 and 2008 respectively.

The County's business-type activities had \$980,563 in total revenues during the current fiscal year compared to \$1,026,047 during the fiscal year 2008. Charges for services account for \$964,388 and \$965,220 or 99% and 94% of total revenues during the fiscal years ended 2009 and 2008 respectively.

The County's governmental activities had \$7,630,285 in total expenses during 2009 and \$6,851,911 during 2008, which represents an increase of \$778,374 from the prior fiscal year.

The County's business-type activities had \$1,130,037 in total expenses during 2009 and \$993,723 during 2008, which represents an increase of \$136,314 from the prior fiscal year.

Among major funds, the General Fund had \$4,405,774 in revenues and \$4,450,840 in expenditures and other financing uses of \$46,572. The General Fund's fund balance decreased \$91,638 over the prior year.

Among major funds, the Tombigbee Tooling Fund had \$10,252 in revenues and \$550,000 in expenditures and other financing sources of \$544,401. The Tombigbee Tooling Fund increased \$4,653 over the prior year.

Among major funds, the Blue Fire Industrial Fund had \$87,428 in revenues and \$83,510 in expenditures and other financing sources of \$3,000,000. The Blue Fire Industrial Fund increased \$3,003,918 over the prior year.

Among major funds, the Countywide Road Maintenance Fund had \$1,728,761 in revenues and \$1,744,015 in expenditures and other financing sources of \$210,663. The Countywide Road Maintenance's fund balance increased \$195,409 over the prior year.

Capital assets, net of accumulated depreciation, as of September 30, 2009 were \$20,093,183 for governmental activities and \$173,316 for business-type activities.

Long-term debt increased by \$2,456,220 in governmental activities. General obligation bonds increased in the amount of \$2,395,000 and compensated absences increased in the amount of \$143. Capital leases decreased \$177,186 and other loans increased in the amount of \$238,263. Long-term debt did not change in business-type activities. Compensated absences did not change.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise of three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

Figure 1 – Required Components of the County's Annual Report

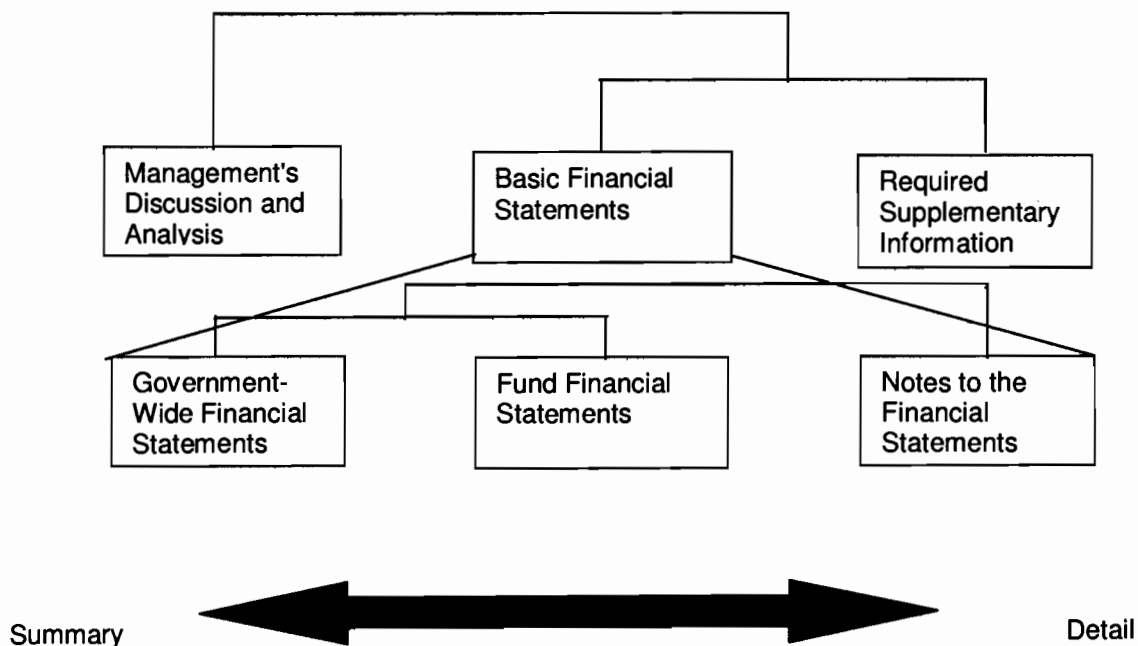


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

Figure 2 summarizes the major features of the County's financial statements, including the portion of the County's government they cover and the types of information they contain. The remainder of this section of Management's Discussion and Analysis explains the structure and content of each of the statements.

Figure 2 – Major Features of the County's Government-Wide and Fund Financial Statements

| | Government-Wide Financial Statements | Fund Financial Statements | | |
|---|--|---|---|---|
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire County government (except fiduciary funds) and component units | All activities of the County that are not business-type or fiduciary in nature | Activities of the County that operate similar to private businesses | The County is the trustee agent for someone else's resources |
| Required financial statements | <ul style="list-style-type: none"> • Statement of net assets • Statement of activities | <ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures and changes in fund balances | <ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenditures and changes in net assets • Statement of cash flows | <ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in net assets |
| Accounting Basis and measurement Focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital and short and long term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included | All assets and liabilities, both financial and capital, and short and long term | All assets and liabilities, both short and long term |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter | All revenues and expenses during year, regardless of when cash is received or paid | All revenues and expenses during year, regardless of when cash is received or paid |

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the County finances, in a manner similar to private-sector businesses.

The **statement of net assets** presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The **statement of activities** presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to

the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government; public safety; public works (roads and bridges); health and welfare; culture and recreation; education; economic development; and interest on long-term debt.

Fund Financial Statements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a country's near-term financing requirements. Governmental funds include the general, special revenue, debt service, and capital projects funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains individual governmental funds in accordance with the *Mississippi County Financial Accounting Manual* issued by the Mississippi Office of the State Auditor. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

Proprietary funds—Services for which Itawamba County charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. The County has only one type of proprietary fund—enterprise funds. The County's enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The measurement focus of proprietary funds is upon determination of net income, financial position and change in financial position. These funds are maintained on the accrual basis of accounting. The Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets, and Statement of Cash Flows are all required statements.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Net Assets.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents Required Supplementary Information concerning the County's budget process.

The County adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets – Net assets may serve over time as a useful indicator of a government's financial position. In the case of Itawamba County, assets exceeded liabilities by \$17,872,178 in governmental activities and \$565,688 in business-type activities as of September 30, 2009.

A large portion of the County's net assets, \$9,431,080 or 52%, reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The County uses these capital assets to provide services to its citizens.

The County's financial position is a product of several financial transactions including the net results of activities, the acquisitions and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the County's net assets at September 30, 2009 and 2008.

Governmental Activities:

| | <u>2009</u> | <u>2008</u> |
|---|-------------------|-------------------|
| Current assets | \$ 14,880,069 | \$ 10,729,794 |
| Capital assets, net | 20,093,183 | 16,863,283 |
| Total assets | <u>34,973,252</u> | <u>27,593,077</u> |
| Current liabilities | 5,840,610 | 5,843,156 |
| Long-term debt outstanding | 11,260,464 | 8,804,244 |
| Total liabilities | <u>17,101,074</u> | <u>14,647,400</u> |
| Net assets: | | |
| Invested in capital assets, net of related debt | 9,257,764 | 8,522,964 |
| Restricted | 6,947,847 | 2,969,974 |
| Unrestricted | 1,666,567 | 1,452,739 |
| Total net assets | <u>17,872,178</u> | <u>12,945,677</u> |

Business-type Activities:

| | <u>2009</u> | <u>2008</u> |
|---|-------------------|-------------------|
| Current assets | 532,291 | 666,327 |
| Capital assets, net | 173,316 | 237,324 |
| Total assets | <u>705,607</u> | <u>903,651</u> |
| Current liabilities | 128,142 | 176,712 |
| Long-term debt outstanding | 11,777 | 11,777 |
| Total liabilities | <u>139,919</u> | <u>188,489</u> |
| Net assets: | | |
| Invested in capital assets, net of related debt | 173,316 | 237,324 |
| Restricted | 392,372 | 477,838 |
| Total net assets | <u>\$ 565,688</u> | <u>\$ 715,162</u> |

Changes in Net Assets – Itawamba County's total revenues for the fiscal year ended September 30, 2009 were \$12,153,055 for governmental activities and \$980,563 for business-type activities. The total cost for all services provided was \$7,630,285 for governmental activities and \$1,130,037 for business-type activities. The increase in net assets for governmental activities was \$4,522,770. The decrease in net assets for business-type activities was \$149,474.

The following tables present a summary of the changes in net assets for the fiscal years ended September 30, 2009 and 2008 for governmental and business-type activities, respectively.

| Governmental Activities: | <u>2009</u> | <u>2008</u> |
|------------------------------------|---------------------|---------------------|
| Revenues: | | |
| Program revenues | | |
| Charges for services | \$ 1,078,192 | \$ 1,242,112 |
| Operating grants and contributions | 2,276,317 | 808,494 |
| Capital grants and contributions | 2,321,229 | 344,150 |
| General revenues | | |
| Property taxes | 4,468,721 | 4,504,847 |
| Road and bridge privilege taxes | 260,216 | 282,095 |
| Interest income | 90,075 | 163,032 |
| Miscellaneous | 1,528,970 | 1,306,920 |
| Transfers | 133,792 | (42,000) |
| Total Revenues | <u>12,157,512</u> | <u>8,609,650</u> |
| Expenses: | | |
| General government | 2,631,031 | 1,236,084 |
| Public safety | 1,800,319 | 1,991,782 |
| Public works | 2,244,663 | 756,217 |
| Health and welfare | 114,800 | 171,755 |
| Culture and recreation | 167,525 | 91,828 |
| Conservation of natural resources | 89,965 | 92,213 |
| Economic development | 241,784 | 2,075,065 |
| Interest on long-term debt | 344,655 | 436,967 |
| Total Expenses | <u>7,634,742</u> | <u>6,851,911</u> |
| Increase in Net Assets | <u>\$ 4,522,770</u> | <u>\$ 1,757,739</u> |

The County gets its Governmental revenues from various sources. Approximately 19% comes from federal and state grants, 39% from property taxes, 9% comes from charges for services, 19% comes from capital grants and contributions, and 14% comes from other sources.

The County expends the Governmental revenues as follows. Approximately 34% is spent in general government, 24% in public safety, 30% in public works, 2% on health and welfare, and 2% on culture and recreation, 1% on conservation of natural resources, 3% on economic development and 4% on interest.

| Business-type Activities: | <u>2009</u> | <u>2008</u> |
|--|---------------------|------------------|
| Revenues: | | |
| Program revenues | | |
| Charges for services | \$ 964,388 | \$ 965,220 |
| Operating grants and contributions | | 13,611 |
| General revenues | | |
| Grants and contributions not restricted to specific programs | 10,829 | |
| Interest income | 4,299 | 12,058 |
| Other | 1,047 | (6,842) |
| Transfers | | 42,000 |
| Total Revenues | <u>980,563</u> | <u>1,026,047</u> |
| Expenses: | | |
| Public works | <u>1,130,037</u> | <u>993,723</u> |
| Total Expenses | <u>1,130,037</u> | <u>993,723</u> |
| Increase/(Decrease) in Net Assets | <u>\$ (149,474)</u> | <u>\$ 32,324</u> |

The County gets its Business-type revenues from various sources. Approximately 100% comes from charges for services.

The County expends the Business-type revenues as follows. 100% is spent in public works.

Governmental Activities – The following table presents the cost of eight major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare, Culture and Recreation, Conservation of Natural Resources, Economic Development and Interest on Long-Term Debt. The table also shows each function's net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity.) The net cost shows the financial burden that was placed on Itawamba County's taxpayers by each of these functions.

| | Total Costs | Net Costs |
|-----------------------------------|----------------|----------------|
| General government | \$ 2,626,574 | \$ (1,236,222) |
| Public safety | 1,800,319 | (1,181,144) |
| Public works | 2,244,663 | (927,369) |
| Health & welfare | 114,800 | (87,112) |
| Culture & recreation | 167,525 | (167,525) |
| Conservation of natural resources | 89,965 | (89,965) |
| Economic development | 241,784 | 2,079,445 |
| Interest on long-term debt | 344,655 | (344,655) |

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental funds – At the close of the fiscal year, Itawamba County's governmental funds reported a combined fund balance of \$8,097,769. This is an increase of \$3,337,447 over the prior year. The primary reasons for this increase are highlighted in the analysis of governmental activities.

The General Fund is the principal operating fund of the County. The decrease in the fund balance of the General Fund for the fiscal year was \$91,638.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

Over the course of the year, Itawamba County revised its annual operating budget on several occasions. Even with these adjustments, actual disbursements were below final budget amounts by \$730,644 in the General Fund.

A schedule showing the original and final budget amounts compared to the County's actual financial activity for the General Fund and other major funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2009, Itawamba County's total governmental and business-type capital assets were \$28,267,191 and 637,801, respectively. This includes land, infrastructure, buildings, other improvements, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress.

Total accumulated depreciation as of September 30, 2009 for governmental activities was \$8,174,008, including \$864,174 of depreciation expense for the year and business-type activities was \$464,485 including \$86,961 of depreciation expense for the year. The balance in total net capital assets for governmental activities and business-type activities was \$20,093,183 and \$173,316, respectively at year-end.

Debt Administration – At September 30, 2009, Itawamba County's total governmental and business-type long-term debt were \$11,260,464 and \$11,777, respectively. This includes general obligation bonds, compensated absences, capital leases, and other loans. The amount due within one year for governmental activities and business-type activities is \$1,256,345 and -0-, respectively.

The State of Mississippi limits the amount of debt a county can issue to generally 15% of total assessed value. The County's outstanding debt is significantly below its current limit of 18 million dollars.

The following table presents a summary of the activity in long-term debt for this fiscal year. This table breaks down the debt by the type of issue.

| | Balance 10/01/08 | Additions | Reductions | Adj. | Balance 09/30/09 | Amount Due within One year |
|----------------------------------|---------------------|-----------|------------|-------|---------------------|----------------------------------|
| Governmental Activities: | | | | | | |
| Compensated absences | \$ 90,670 | 143 | | | 90,813 | |
| General obligation bonds | 6,195,000 | 3,000,000 | 605,000 | | 8,590,000 | 860,000 |
| Capital leases | 460,856 | 211,920 | 388,793 | (313) | 283,670 | 102,401 |
| Other loans | 2,057,718 | 550,000 | 311,737 | | 2,295,981 | 293,944 |
| Total | \$ 8,804,244 | 3,762,063 | 1,305,530 | (313) | 11,260,464 | 1,256,345 |
| Business-type Activities: | | | | | | |
| Compensated absences | \$ 11,777 | | | | 11,777 | |
| Total | \$ 11,777 | | | | 11,777 | |

CURRENT AND FUTURE ITEMS OF IMPACT

Itawamba County continues to develop and attract industrial development in the area with future plans for expansion of its industrial park and port facilities.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the County Administrator's Office at P.O. Box 776, Fulton, Mississippi 38843-0776.

FINANCIAL STATEMENTS

ITAWAMBA COUNTY
Statement of Net Assets
September 30, 2009

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|-------------------|
| ASSETS | | | |
| Cash | \$ 8,529,072 | 336,275 | 8,865,347 |
| Accrued interest receivable | 7,397 | 207 | 7,604 |
| Property tax receivable | 4,754,861 | | 4,754,861 |
| Accounts receivable (net of allowance for uncollectibles of \$256,953) | | 129,109 | 129,109 |
| Fines receivable (net of allowance for uncollectibles for \$536,440) | 291,606 | | 291,606 |
| Capital leases receivable | 724,320 | | 724,320 |
| Intergovernmental receivables | 234,249 | 7,858 | 242,107 |
| Other receivables | 198,634 | 41,240 | 239,874 |
| Internal balances | (18,711) | 17,602 | (1,109) |
| Prepaid Insurance | 158,641 | | 158,641 |
| Capital assets: | | | |
| Land and construction in progress | 5,780,778 | | 5,780,778 |
| Other capital assets, net | 14,312,405 | 173,316 | 14,485,721 |
| Total Assets | <u>\$ 34,973,252</u> | <u>705,607</u> | <u>35,678,859</u> |
| LIABILITIES | | | |
| Claims payable | 345,911 | 42,634 | 388,545 |
| Other accrued liabilities | 147,343 | 13,765 | 161,108 |
| Amounts held in custody for others | 13,732 | | 13,732 |
| Intergovernmental payables | 345,886 | 2,680 | 348,566 |
| Accrued interest payable | 51,951 | | 51,951 |
| Deferred revenue | 4,935,787 | 69,063 | 5,004,850 |
| Long-term liabilities | | | |
| Due within one year: | | | |
| Capital related debt | 1,215,687 | | 1,215,687 |
| Non-capital debt | 40,658 | | 40,658 |
| Due in more than one year: | | | |
| Capital related debt | 9,619,732 | | 9,619,732 |
| Non-capital debt | 384,387 | 11,777 | 396,164 |
| Total Liabilities | <u>\$ 17,101,074</u> | <u>139,919</u> | <u>17,240,993</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 9,257,764 | 173,316 | 9,431,080 |
| Restricted: | | | |
| Expendable: | | | |
| General government | 78,738 | | 78,738 |
| Debt service | 103,189 | | 103,189 |
| Public safety | 472,211 | | 472,211 |
| Public works | 1,101,223 | 392,372 | 1,493,595 |
| Health and welfare | 784,890 | | 784,890 |
| Economic development | 4,403,313 | | 4,403,313 |
| Capital projects | 4,283 | | 4,283 |
| Unrestricted | 1,666,567 | | 1,666,567 |
| Total Net Assets | <u>\$ 17,872,178</u> | <u>565,688</u> | <u>18,437,866</u> |

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

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

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Assets | | |
|--|---------------------|----------------------|------------------------------------|---|-------------------------|--------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities |
| Primary government: | | | | | | |
| Governmental activities: | | | | | | |
| General government | \$ 2,631,031 | 801,847 | 588,505 | | (1,240,679) | (1,240,679) |
| Public safety | 1,800,319 | 276,345 | 342,830 | | (1,181,144) | (1,181,144) |
| Public works | 2,244,663 | | 1,317,294 | | (927,369) | (927,369) |
| Health and welfare | 114,800 | | 27,688 | | (87,112) | (87,112) |
| Culture and recreation | 167,525 | | | | (167,525) | (167,525) |
| Conservation of natural resources | 89,965 | | | | (89,965) | (89,965) |
| Economic development and assistance | 241,784 | | | 2,321,229 | 2,079,445 | 2,079,445 |
| Interest on long-term debt | 344,655 | | | | (344,655) | (344,655) |
| Total Governmental Activities | \$ 7,634,742 | 1,078,192 | 2,276,317 | 2,321,229 | (1,959,004) | (1,959,004) |
| Business-type activities | | | | | | |
| Solid waste | \$ 1,130,037 | 964,388 | | | (165,649) | (165,649) |
| Total Primary Government | \$ 8,764,779 | 2,042,580 | 2,276,317 | 2,321,229 | (1,959,004) | (165,649) |
| General revenues: | | | | | | |
| Taxes: | | | | | | |
| Real estate and personal property | | | | \$ 4,468,721 | | 4,468,721 |
| Road & bridge privilege taxes | | | | 260,216 | | 260,216 |
| Grants and contributions not restricted to specific programs | | | | | 10,829 | 10,829 |
| Interest earnings | | | | 90,075 | 4,299 | 94,374 |
| Miscellaneous | | | | 1,528,970 | 1,047 | 1,530,017 |
| Transfers | | | | 133,792 | | 133,792 |
| Total General Revenues | | | | 6,481,774 | 16,175 | 6,497,949 |
| Changes in Net Assets | | | | | | |
| | | | | 4,522,770 | (149,474) | 4,373,296 |
| Net Assets - Beginning, as originally reported | | | | | | |
| | | | | 12,945,677 | 715,162 | 13,660,839 |
| Prior period adjustment | | | | | | |
| | | | | 403,731 | | 403,731 |
| Net Assets - Beginning, as restated | | | | | | |
| | | | | 13,349,408 | 715,162 | 14,064,570 |
| Net Assets - Ending | | | | | | |
| | | | | \$ 17,872,178 | 565,688 | 18,437,866 |

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

ITAWAMBA COUNTY
Balance Sheet
Governmental Funds
September 30, 2009

| | <u>Major Funds</u> | | | | | |
|--|-------------------------|------------------------------------|--|--|---|---|
| | <u>General Fund</u> | <u>Tombigbee Tooling, Inc.</u> | <u>Blue Fire Industrial Fund</u> | <u>Countywide Road Maint. Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
| ASSETS | | | | | | |
| Cash | \$ 1,971,194 | 584 | 3,030,983 | 934,935 | 2,591,376 | 8,529,072 |
| Property tax receivable | 2,827,225 | | | 770,000 | 1,157,636 | 4,754,861 |
| Fines receivable, (net of allowance for uncollectibles of \$536,440) | 291,606 | | | | | 291,606 |
| Accrued interest receivable | 1,812 | 1 | 3,272 | 536 | 1,776 | 7,397 |
| Intergovernmental receivables | 114,627 | | | 45,885 | 73,737 | 234,249 |
| Other receivables | 110,207 | 4,650 | 12,000 | | 71,777 | 198,634 |
| Lease payments receivable | | 724,320 | | | | 724,320 |
| Due from other funds | 12,940 | | | 58,600 | 19,766 | 91,306 |
| Total Assets | <u>\$ 5,329,611</u> | <u>729,555</u> | <u>3,046,255</u> | <u>1,809,956</u> | <u>3,916,068</u> | <u>14,831,445</u> |
| LIABILITIES & FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Claims payable | \$ 90,266 | | 42,337 | 65,893 | 147,415 | 345,911 |
| Other accrued liabilities | 94,883 | | | 22,233 | 30,227 | 147,343 |
| Intergovernmental payables | 338,884 | | | 4,230 | 2,772 | 345,886 |
| Due to other funds | 108,961 | 582 | | 474 | | 110,017 |
| Deferred revenue | 3,118,831 | 724,320 | | 770,000 | 1,157,636 | 5,770,787 |
| Amounts held in custody for others | 13,732 | | | | | 13,732 |
| Total Liabilities | <u>3,765,557</u> | <u>724,902</u> | <u>42,337</u> | <u>862,830</u> | <u>1,338,050</u> | <u>6,733,676</u> |
| Fund balances: | | | | | | |
| Reserved For: | | | | | | |
| Debt service | | | | | 170,846 | 170,846 |
| Economic development | | 4,653 | 3,003,918 | | 781,130 | 3,789,701 |
| Unreserved - undesignated, reported in: | | | | | | |
| General Fund | 1,564,054 | | | | | 1,564,054 |
| Special Revenue Funds | | | | 947,126 | 1,621,759 | 2,568,885 |
| Capital Project Funds | | | | | 4,283 | 4,283 |
| Total Fund Balances | <u>1,564,054</u> | <u>4,653</u> | <u>3,003,918</u> | <u>947,126</u> | <u>2,578,018</u> | <u>8,097,769</u> |
| Total Liabilities and Fund Balances | <u>\$ 5,329,611</u> | <u>729,555</u> | <u>3,046,255</u> | <u>1,809,956</u> | <u>3,916,068</u> | <u>14,831,445</u> |

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

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

| | | |
|---|----|-------------------|
| Total Fund Balance - Governmental Funds | \$ | 8,097,769 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | | |
| Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$8,174,008. | | 20,093,183 |
| Fines receivables that have accrued at year end but are not available to liquidate liabilities of the current period are not reported in the funds. | | 291,606 |
| In the Statement of Net Assets prepaid insurance is recorded as prepaid items to reflect the costs applicable to future accounting periods. | | 158,641 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | | (11,260,464) |
| Capital lease receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds. | | 543,394 |
| Accrued interest payable is not due and payable in the current-period and therefore are not reported in the funds. | | <u>(51,951)</u> |
| Total Net Assets of Governmental Activities | \$ | <u>17,872,178</u> |

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

| | Major Funds | | | | | Total Governmental Funds |
|---|---------------------|----------------------------|---------------------------------|-----------------------------------|--------------------------------|--------------------------------|
| | General Fund | Tombigbee Tooling, Inc. | Blue Fire Industrial Fund | Countywide Road Maint. Fund | Other Governmental Funds | |
| REVENUES | | | | | | |
| Property tax | \$ 2,710,875 | | | 696,481 | 1,061,365 | 4,468,721 |
| Road and bridge privilege taxes | | | | 260,216 | | 260,216 |
| Licenses, commissions and fees | 396,048 | | | | 7,457 | 403,505 |
| Fines and forfeitures | 343,135 | | | | 27,648 | 370,783 |
| Intergovernmental revenues | 740,057 | | | 730,402 | 3,127,087 | 4,597,546 |
| Charges for services | 97,460 | | | | 201,753 | 299,213 |
| Interest income | 20,425 | 5,602 | 25,428 | 9,356 | 29,264 | 90,075 |
| Miscellaneous revenues | 97,774 | 4,650 | 62,000 | 32,306 | 782,240 | 978,970 |
| Total Revenues | 4,405,774 | 10,252 | 87,428 | 1,728,761 | 5,236,814 | 11,469,029 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | 2,657,494 | | | | 10,983 | 2,668,477 |
| Public safety | 1,261,717 | | | | 409,497 | 1,671,214 |
| Public works | | | | 1,692,450 | 880,722 | 2,573,172 |
| Health and welfare | 88,962 | | | | 25,838 | 114,800 |
| Culture & recreation | 167,525 | | | | | 167,525 |
| Conservation of natural resources | 96,297 | | | | | 96,297 |
| Economic development & assistance | 119,604 | 550,000 | 83,510 | | 2,327,624 | 3,080,738 |
| Debt service: | | | | | | |
| Principal | 55,134 | | | 46,844 | 1,203,552 | 1,305,530 |
| Interest | 4,107 | | | 4,721 | 444,332 | 453,160 |
| Total Expenditures | 4,450,840 | 550,000 | 83,510 | 1,744,015 | 5,302,548 | 12,130,913 |
| Excess of Revenues over (under) Expenditures | (45,066) | (539,748) | 3,918 | (15,254) | (65,734) | (661,884) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Long-term capital debt issued | 85,123 | 550,000 | 3,000,000 | 126,797 | | 3,761,920 |
| Proceeds from sale of capital assets | 10,305 | | | 86,708 | | 97,013 |
| Operating transfers in | 3,000 | | | | 641,569 | 644,569 |
| Lease principal payments | | 6,606 | | | | 6,606 |
| Operating transfers out | (145,000) | (12,205) | | (2,842) | (350,730) | (510,777) |
| Total Other Financing Sources and Uses | (46,572) | 544,401 | 3,000,000 | 210,663 | 290,839 | 3,999,331 |
| Net Changes in Fund Balances | (91,638) | 4,653 | 3,003,918 | 195,409 | 225,105 | 3,337,447 |
| Fund Balances - Beginning | 1,655,692 | | | 751,717 | 2,352,913 | 4,760,322 |
| Fund Balances - Ending | \$ 1,564,054 | 4,653 | 3,003,918 | 947,126 | 2,578,018 | 8,097,769 |

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

ITAWAMBA 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

Net Changes in Fund Balances - Governmental Funds \$ 3,337,447

Amounts reported for governmental activities in the Statements 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 \$3,792,126 exceeded depreciation of \$864,174 in the current period. 2,927,952

In the Statement of Activities only the gain and/or losses on the disposition of assets is recorded, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets being sold. (101,470)

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. 4,833

Capital lease receivables are deferred in the funds, whereas in the Statement of Activities, capital leases are recorded using the full accrual basis of accounting. 550,000

Lease principal payment proceeds provide current financial resources to governmental funds, but reduces current assets in the statement of net assets. Thus the change in net assets differs from the change in fund balances by the amount of principal repayment. (6,606)

Governmental Funds report prepaid insurance as expenditures. However, in the Statement of Activities prepaid insurance is recorded as prepaid items to reflect costs applicable to future accounting periods. 158,641

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 proceeds of \$3,761,920 exceeded debt repayments of \$1,305,530. (2,456,390)

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 when it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:

The amount of increase in compensated absences. (143)
 The amount of decrease in accrued interest payable. 108,506

Change in Net Assets of Governmental Activities \$ 4,522,770

ITAWAMBA COUNTY
Statement of Net Assets
Proprietary Fund
September 30, 2009

Business-type Activities
Enterprise Fund
Solid Waste
Major Fund

ASSETS

Current assets:

| | | |
|--|----|---------|
| Cash | \$ | 336,275 |
| Accrued interest receivable | | 207 |
| Accounts receivable (net of allowance for uncollectibles of \$520,527) | | 129,109 |
| Total Current Assets | | 465,591 |

Noncurrent assets:

| | | |
|-------------------------------|--|---------|
| Intergovernmental receivables | | 7,858 |
| Other receivables | | 41,240 |
| Due from other funds | | 30,542 |
| Depreciable assets, net | | 173,316 |
| Total Noncurrent Assets | | 252,956 |
| Total Assets | | 718,547 |

LIABILITIES

Current liabilities:

| | | |
|----------------------------|--|---------|
| Claims payable | | 42,634 |
| Other accrued liabilities | | 13,765 |
| Intergovernmental payables | | 2,680 |
| Due to other funds | | 12,940 |
| Deferred revenue | | 69,063 |
| Total Current Liabilities | | 141,082 |

Noncurrent liabilities:

Non-capital debt:

| | | |
|------------------------------|--|---------|
| Compensated absences payable | | 11,777 |
| Total Noncurrent Liabilities | | 11,777 |
| Total Liabilities | | 152,859 |

NET ASSETS

| | | |
|---|----|---------|
| Invested in capital assets, net of related debt | | 173,316 |
| Restricted for: | | |
| Public works | | 392,372 |
| Total Net Assets | \$ | 565,688 |

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

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

| | | Business-type Activities Enterprise Fund Solid Waste Major Fund |
|---|----|--|
| Operating Revenues | | |
| Charges for services | \$ | 964,388 |
| Miscellaneous | | 1,047 |
| Total Operating Revenues | | 965,435 |
| Operating Expenses | | |
| Personal services | | 459,682 |
| Contractual services | | 414,689 |
| Material and supplies | | 155,765 |
| Depreciation expense | | 86,961 |
| Indirect administrative cost | | 12,940 |
| Total Operating Expenses | | 1,130,037 |
| Operating Income (Loss) | | (164,602) |
| Nonoperating Revenues (Expenses) | | |
| Interest income | | 4,299 |
| Intergovernmental grants | | 10,829 |
| Net Nonoperating Revenues (Expenses) | | 15,128 |
| Net Income (Loss) Before Transfers | | (149,474) |
| Changes in Net Assets | | (149,474) |
| Net Assets - Beginning | | 715,162 |
| Net Assets - Ending | \$ | 565,688 |

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

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

| | | Business-type Activities |
|---|----|---------------------------------|
| | | Enterprise Fund |
| | | Solid Waste |
| | | Major Fund |
| Cash Flows from Operating Activities | | |
| Receipts from customers | \$ | 958,348 |
| Payments to suppliers | | (629,252) |
| Payments to employees | | (449,427) |
| Other operating cash receipts | | 1,047 |
| Net Cash Provided (Used) by Operating Activities | | (119,284) |
| Cash Flows from Noncapital Financing Activities | | |
| Operating grants received | | 10,829 |
| Net Cash Provided (Used) by Noncapital Financing Activities | | 10,829 |
| Cash Flows from Capital and Related Financing Activities | | |
| Cash Flows from Investing Activities | | |
| Purchase of fixed assets | | (22,953) |
| Interest and dividends on investments | | 4,298 |
| Net Cash Provided (Used) by Investing Activities | | (18,655) |
| Net Increase (Decrease) in Cash and Cash Equivalents | | (127,110) |
| Cash and Cash Equivalents at Beginning of Year | | 463,385 |
| Cash and Cash Equivalents at End of Year | \$ | 336,275 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | |
| Operating income (loss) | | (164,602) |
| Adjustments to reconcile operating income (loss) to net cash from operating activities: | | |
| Depreciation expense | | 86,961 |
| Provision for uncollectible accounts | | 20,128 |
| Changes in assets and liabilities: | | |
| (Increase) decrease in accounts receivable | | (27,432) |
| (Increase) decrease in accrued interest receivable | | (207) |
| (Increase) decrease in other receivables | | 942 |
| (Increase) decrease in interfund receivables | | 4,503 |
| (Increase) decrease in intergovernmental receivables | | (3,947) |
| Increase (decrease) in claims payable | | (18,296) |
| Increase (decrease) in accrued payroll | | 13,765 |
| Increase (decrease) in intergovernmental payables | | (5,031) |
| Increase (decrease) in interfund payables | | (240) |
| Increase (decrease) in advances from other funds | | (25,802) |
| Increase (decrease) in deferred revenue | | (26) |
| Total Adjustments | | 45,318 |
| Net Cash Provided (Used) by Operating Activities | \$ | (119,284) |

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

ITAWAMBA COUNTY
 Statement of Fiduciary Net Assets
 September 30, 2009

| | <u>Private-purpose Trust Funds</u> | <u>Agency Funds</u> |
|--|--|---------------------|
| ASSETS | | |
| Cash | \$ | 48,457 |
| Accrued interest receivable | | 60 |
| Intergovernmental receivables | | 8,926 |
| Due from other funds | | 1,109 |
| Other receivables | | 20,701 |
| Total Assets | | <u>79,253</u> |
| LIABILITIES | | |
| Amounts held in custody for others | | 3,135 |
| Intergovernmental payables | | 76,118 |
| Total Liabilities | \$ | <u>79,253</u> |
| NET ASSETS | | |
| Held in trust for: | | |
| Individuals, organizations and other governments | \$ | |

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

ITAWAMBA COUNTY
Statement of Changes in Fiduciary Net Assets
For the Year Ended September 30, 2009

| | <u>Private-purpose Trust Fund</u> |
|------------------------|---------------------------------------|
| Additions | |
| Investment income: | |
| Interest and dividends | \$ 457 |
| Total Additions | <u>457</u> |
| Deductions | |
| Administrative expense | 2,022 |
| Transfers | <u>133,792</u> |
| Total Deductions | <u>135,814</u> |
| Changes in Net Assets | (135,357) |
| Net Assets - Beginning | <u>135,357</u> |
| Net Assets - Ending | <u>\$ <u> </u></u> |

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

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

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

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, 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 as Other Governmental Funds in a single column.

C. 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 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Funds:

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

Tombigbee Tooling, Inc. Fund – This fund is used to account for the industrial lease receivable and the loan associated with it.

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

Blue Fire Industrial Fund – This fund is used to account for monies from specific resources that are restricted for use on the Toyota Boshuku project.

Countywide Road Maintenance Fund – This fund is used to account for monies from specific resources that are restricted for road maintenance.

The county reports the following major Proprietary Fund:

Solid Waste Fund – Accounts for the county's activities of disposal of solid waste within the county.

Additionally, the county reports the following funds 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.

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

Private-purpose Trust Funds – These funds are used to report all trust arrangements, other than those properly reported elsewhere, under which the principal and income benefit individuals, private organizations or other governments.

D. Account Classifications.

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

E. Deposits and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S.

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

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.

F. Receivables.

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

G. Interfund Transactions and Balances.

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

H. Prepaid Items.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items, such as prepaid insurance, are not reported for Governmental Fund Types since the costs of such items are accounted for as expenditures in the period of acquisition.

I. Restricted Assets.

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

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

Itawamba County meets these criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because non-capitalization 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:

| | Capitalization Thresholds | Estimated Useful Life |
|--------------------------------------|------------------------------|--------------------------|
| 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 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 and regulations of other governments; or law through constitutional provisions or enabling legislation.

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

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, 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 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 collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

N. Intergovernmental Revenues in Governmental Funds.

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

O. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee 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.

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

(2) Prior Period Adjustments.

Exhibit 2 – Statement of Activities

| Explanation | Amount |
|---|------------|
| To correct fixed asset beginning balance. | \$ 403,418 |
| To correct lease beginning balance. | 313 |
| Total prior period adjustments | \$ 403,731 |

(3) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2009, was \$8,913,804 and the bank balance was \$9,009,856. 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 Deposit 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 the 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.

(4) Interfund Transactions and Balances.

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

A. Due From/To Other Funds:

| Receivable Fund | Payable Fund | Amount |
|----------------------------------|----------------------------------|------------|
| General Fund | Solid Waste Fund | \$ 12,940 |
| Countywide Road Maintenance Fund | General Fund | 58,600 |
| Solid Waste Fund | General Fund | 30,542 |
| Other Governmental Funds | General Fund | 18,710 |
| Other Governmental Funds | Tombigbee Tooling, Inc. | 582 |
| Other Governmental Funds | Countywide Road Maintenance Fund | 474 |
| Fiduciary Funds | General Fund | 1,109 |
| Total | | \$ 122,957 |

The payables from the General Fund represent the tax revenue collected but not settled until October 2009 and reimbursement for payroll expenditures. The amount payable from the Solid Waste Fund represents the amount owed for indirect costs paid by the General Fund. All interfund balances are expected to be repaid within one year from the date of the financial statements.

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

B. Transfers In/Out:

| Transfer In | Transfer Out | Amount |
|--------------------------|----------------------------------|------------|
| General Fund | Other Governmental Funds | \$ 3,000 |
| Other Governmental Funds | General Fund | 145,000 |
| Other Governmental Funds | Countywide Road Maintenance Fund | 2,842 |
| Other Governmental Funds | Tombigbee Tooling, Inc. | 12,205 |
| Other Governmental Funds | Other Governmental Funds | 347,730 |
| Other Governmental Funds | Fiduciary Fund | 133,792 |
| | | \$ 644,569 |
| Total Transfers In/Out | | |

The principal purposes of the remaining transfers were to provide funds for grant matches or to provide funds to pay for capital outlay. All interfund transfers were routine and consistent with activities of the fund making the transfer.

(5) Intergovernmental Receivables.

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

| Description | Amount |
|--------------------------------------|------------|
| Governmental Activities: | |
| Legislative tag credit | \$ 83,546 |
| Community development block grant | 70,246 |
| Motor vehicle fuel tax | 19,469 |
| Other | 60,988 |
| Total Governmental Activities | \$ 234,249 |
| Business-type Activities: | |
| Charges for services | \$ 7,858 |
| Total Business-type Activities | \$ 7,858 |

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

(6) Capital Assets.

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

| Governmental activities: | Balance 10/01/08 | Additions | Deletions | Adjustments | Balance 9/30/09 |
|---|----------------------|------------------|----------------|----------------|--------------------|
| Non-depreciable capital assets: | | | | | |
| Land | \$ 3,005,905 | 49,500 | | | 3,055,405 |
| Construction in progress | | 2,321,955 | | 403,418 | 2,725,373 |
| Total non-depreciable capital assets | 3,005,905 | 2,371,455 | | 403,418 | 5,780,778 |
| Depreciable capital assets: | | | | | |
| Infrastructure | 5,255,353 | | 85,400 | | 5,169,953 |
| Buildings | 4,358,429 | 390,500 | | 1,335,000 | 6,083,929 |
| Improvements other than buildings | 4,446,251 | 77,000 | | | 4,523,251 |
| Mobile equipment | 5,249,176 | 733,529 | 213,276 | 85,918 | 5,855,347 |
| Furniture and equipment | 431,840 | 7,722 | 5,112 | | 434,450 |
| Leased property under capital lease | 1,628,481 | 211,920 | | (1,420,918) | 419,483 |
| Total depreciable capital assets | 21,369,530 | 1,420,671 | 303,788 | | 22,486,413 |
| Less accumulated depreciation for: | | | | | |
| Infrastructure | 354,857 | 118,195 | 11,484 | | 461,568 |
| Buildings | 1,558,968 | 94,979 | | 400,500 | 2,054,447 |
| Improvements other than buildings | 711,400 | 180,930 | | | 892,330 |
| Mobile equipment | 4,020,290 | 348,685 | 187,153 | 42,832 | 4,224,654 |
| Furniture and equipment | 383,721 | 19,178 | 3,681 | | 399,218 |
| Leased property under capital lease | 482,916 | 102,207 | | (42,832) | 141,791 |
| Total accumulated depreciation | 7,512,152 | 864,174 | 202,318 | | 8,174,008 |
| Total depreciable capital assets, net | 13,857,378 | 556,497 | 101,470 | | 14,312,405 |
| Governmental activities Capital assets, net | \$ 16,863,283 | 2,927,952 | 101,470 | 403,418 | 20,093,183 |
| Business-type activities: | | | | | |
| Depreciable capital assets: | | | | | |
| Mobile equipment | 614,848 | 22,953 | | | 637,801 |
| Total depreciable capital assets | 614,848 | 22,953 | | | 637,801 |
| Less accumulated depreciation for: | | | | | |
| Mobile equipment | 377,524 | 86,961 | | | 464,485 |
| Total accumulated depreciation | 377,524 | 86,961 | | | 464,485 |
| Total depreciable capital assets, net | 237,324 | (64,008) | | | 173,316 |
| Business-type activities capital assets, net | \$ 237,324 | (64,008) | | | 173,316 |

Capital assets were adjusted for prior period corrections and prior period accumulated depreciation was recorded to correctly state fixed assets in the Governmental activities.

Depreciation expense was charged for the following functions:

| | Amount |
|--------------------------------------|-------------------|
| Governmental Activities: | |
| General | \$ 132,498 |
| Public Safety | 208,468 |
| Public Works | 521,818 |
| Conservation of natural resources | 1,390 |
| Total Governmental activities | \$ 864,174 |
| Business-type Activities: | |
| Solid waste | \$ 86,961 |

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

(7) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by Worker's 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.

(8) Capital Leases.

As Lessor:

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

| Classes of Property | Amount |
|---------------------|------------|
| Buildings | \$ 543,394 |
| Total | \$ 543,394 |

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

| Year Ending September 30 | Principal | Interest |
|--------------------------|------------|----------|
| 2010 | \$ 27,288 | 21,532 |
| 2011 | 28,415 | 20,404 |
| 2012 | 29,535 | 19,285 |
| 2013 | 30,810 | 18,010 |
| 2014 | 32,082 | 16,737 |
| 2015-2019 | 181,383 | 62,713 |
| 2020-2024 | 213,881 | 22,245 |
| Total | \$ 543,394 | 180,926 |

ITAWAMBA COUNTY
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 | <u>419,483</u> |
| Total | 419,483 |
| Less: Accumulated depreciation | <u>141,791</u> |
| Leased Property Under Capital Leases | <u>\$ 277,692</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 | \$ 102,401 | 8,627 |
| 2011 | 87,239 | 5,435 |
| 2012 | 37,918 | 2,799 |
| 2013 | 35,160 | 1,476 |
| 2014 | 20,504 | 380 |
| 2015-2019 | <u>448</u> | <u>1</u> |
| Total | <u>\$ 283,670</u> | <u>18,718</u> |

(9) 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: | | | |
| 2001 road and bridge | \$ 1,145,000 | 4.00/5.50 | 04/01/16 |
| Series 2003 refunding bonds | 270,000 | 1.30/3.55 | 10/15/11 |
| 2005 road and bridge | 1,300,000 | 3.40 | 06/01/15 |
| 2007 Industrial development bonds | 2,875,000 | 5.00/7.00 | 09/30/22 |
| 2009 Industrial development bonds | <u>3,000,000</u> | 5.00/7.00 | 08/01/19 |
| Total General Obligation Bonds | <u>\$ 8,590,000</u> | | |

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

| <u>Description and Purpose</u> | <u>Amount Outstanding</u> | <u>Interest Rate</u> | <u>Final Maturity Date</u> |
|------------------------------------|-------------------------------|--------------------------|------------------------------------|
| B. Capital Leases: | | | |
| 2006 Ford F-750 truck | \$ 7,605 | 3.57 | 06/29/10 |
| 2009 Ford Escape XLS | 13,801 | 3.19 | 01/15/14 |
| Two 2009 Ford F-150's | 33,701 | 3.08 | 03/15/12 |
| 2009 Ford Crown Victoria | 24,829 | 3.16 | 10/15/14 |
| 2009 International 4300 Dump Truck | 50,725 | 3.47 | 10/01/13 |
| 2010 International 4300 Dump Truck | 64,519 | 4.09 | 08/15/14 |
| 2007 Ford Crown Victoria | 1,712 | 3.88 | 01/11/10 |
| Tractor & Loader | 51,458 | 3.63 | 08/15/11 |
| 2008 Ford Crown Victoria | 10,639 | 4.62 | 03/13/11 |
| Two 2008 Ford Crown Victoria's | <u>24,681</u> | 3.78 | 07/15/11 |
| Total Capital Leases | <u>\$ 283,670</u> | | |
| C. Other Loans: | | | |
| Port Commission | \$ 248,699 | 4.75 | 05/01/12 |
| Port Development | 676,430 | 0.25 | 10/01/19 |
| Peoploungers, Inc. | 176,947 | 2.25 | 05/15/13 |
| Peoploungers, Inc. | 316,279 | 3.00 | 05/01/18 |
| PSP Project | 241,504 | 4.75 | 07/01/17 |
| Port Dredging | 92,728 | 3.00 | 08/01/15 |
| Tombigbee Tooling | <u>543,394</u> | 4.00 | 06/12/24 |
| Total Other Loans | <u>\$ 2,295,981</u> | | |

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>Other Loans</u> | |
|---------------------------------|---------------------------------|-------------------------|-------------------------|-----------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2010 | \$ 860,000 | 416,998 | 293,944 | 57,891 |
| 2011 | 905,000 | 374,787 | 301,409 | 50,455 |
| 2012 | 800,000 | 329,793 | 309,064 | 42,830 |
| 2013 | 840,000 | 287,918 | 212,351 | 34,878 |
| 2014 | 885,000 | 243,775 | 183,343 | 29,093 |
| 2015 - 2019 | 3,485,000 | 654,077 | 776,211 | 80,655 |
| 2020 - 2024 | <u>815,000</u> | <u>82,749</u> | <u>219,659</u> | <u>22,246</u> |
| Total | <u>\$ 8,590,000</u> | <u>2,390,097</u> | <u>2,295,981</u> | <u>318,048</u> |

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 7.07% of the latest property assessments.

ITAWAMBA 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 10/01/08 | Additions | Reductions | Adj. | Balance 09/30/09 | Amount Due within One year |
|----------------------------------|---------------------|------------------|------------------|--------------|---------------------|----------------------------------|
| Governmental Activities: | | | | | | |
| Compensated absences | \$ 90,670 | 143 | | | 90,813 | |
| General obligation bonds | 6,195,000 | 3,000,000 | 605,000 | | 8,590,000 | 860,000 |
| Capital leases | 460,856 | 211,920 | 388,793 | (313) | 283,670 | 102,401 |
| Other loans | 2,057,718 | 550,000 | 311,737 | | 2,295,981 | 293,944 |
| Total | \$ 8,804,244 | 3,762,063 | 1,305,530 | (313) | 11,260,464 | 1,256,345 |
| Business-type Activities: | | | | | | |
| Compensated absences | \$ 11,777 | | | | 11,777 | |
| Total | \$ 11,777 | | | | 11,777 | |

(10) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances or net assets at September 30, 2009:

| <u>Fund</u> | <u>Deficit Amount</u> |
|-----------------------------------|---------------------------|
| Banner Fire District | \$ 237 |
| Road & Bridge Emergency 1009 4th | 24 |
| Mantachie Rural Health Dept | 682 |
| General Obligation Refunding 2007 | 98,985 |
| Jail Construction | 174 |

(11) Contingencies.

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

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

Solid Waste Revenue Refunding Bonds

In 1998, solid waste revenue refunding bonds were issued by the Three Rivers Solid Waste Management Authority for \$8,210,000. As part of a solid waste disposal service agreement between Itawamba County and Three Rivers Solid Waste Management Authority, the county has agreed to pay its pro rata share of any obligations of the authority that are not covered by fees generated from solid waste disposal services. The county's pro rata share of the \$3,406,500 refunding bonds balance at September 30, 2009, is \$228,576.

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

(12) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Three Rivers Solid Waste Management Authority operates in a district composed of the Counties of Calhoun, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union and the Cities of Aberdeen, Amory, Fulton, New Albany, Oxford, Pontotoc and Tupelo. The Itawamba County Board of Supervisors appoints one of the fourteen members of the authority's board. The county did not appropriate any funds for the support of the authority in fiscal year 2009.

Three Rivers Planning and Development District operates in a district composed of the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Itawamba County Board of Supervisors appoints five of the forty members of the district board of directors. The county appropriated \$23,295 for the maintenance and support of the district in fiscal year 2009.

Itawamba Community College operates in a district composed of the Counties of Chickasaw, Itawamba, Lee, Monroe and Pontotoc. The Itawamba County Board of Supervisors appoints six of the thirty members of the college board of trustees. The county appropriated \$851,505 for the maintenance and support of the college in fiscal year 2009.

Northeast Mental Health-Mental Retardation Commission operates in a district composed of the Counties of Benton, Itawamba, Lee, Chickasaw, Pontotoc, Monroe and Union. The Itawamba County Board of Supervisors appoints one of the seven members of the board of commissioners. The county appropriated \$18,186 for maintenance and support of the commission in fiscal year 2009.

Lift, Inc. operates in a district composed of the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Itawamba County Board of Supervisors appoints two of the twenty-four members of the board of directors. The county did not appropriate any funds for the support of the organization in fiscal year 2009.

Northeast Mississippi Emergency Medical Services serves the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Marshall, Pontotoc, Tishomingo and Union. The Itawamba County Board of Supervisors appoints four of the thirty-six members of the board of directors. Itawamba County appropriated \$19,924 for support of the district in fiscal year 2009.

(13) Defined Benefit Pension Plan.

Plan Description. Itawamba 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 Employee's 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% 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 \$330,828, \$325,308, and \$303,889 respectively, equal to the required contributions for each year.

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

(14) Subsequent Events.

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> |
|-------------------|----------------------|---------------------|--------------------------|----------------------------|
| 01/15/10 | 3.10% | 25,950 | Lease Purchase | Ad valorem taxes |
| 07/06/10 | 2.87% | 31,621 | Lease Purchase | Ad valorem taxes |
| 09/07/10 | 2.58% | 118,420 | Lease Purchase | Ad valorem taxes |

***REQUIRED SUPPLEMENTARY
INFORMATION***

ITAWAMBA 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 tax | \$ 2,824,170 | 2,824,170 | 2,800,280 | (23,890) |
| Road and bridge privilege taxes | | | | 0 |
| Licenses, commissions and other revenue | 205,400 | 370,400 | 369,272 | (1,128) |
| Fines and forfeitures | 262,500 | 332,500 | 332,103 | (397) |
| Intergovernmental revenues | 895,750 | 999,225 | 875,557 | (123,668) |
| Charges for services | 47,100 | 57,100 | 86,343 | 29,243 |
| Use of money and property | 42,225 | 175,255 | | (175,255) |
| Miscellaneous revenue | 112,500 | 266,500 | 263,460 | (3,040) |
| Total Revenues | <u>4,389,645</u> | <u>5,025,150</u> | <u>4,727,016</u> | <u>(298,134)</u> |
| EXPENDITURES | | | | |
| General government | 2,812,396 | 3,053,081 | 2,828,226 | 224,855 |
| Public safety | 1,602,955 | 1,753,190 | 1,230,286 | 522,904 |
| Public works | | | 0 | 0 |
| Health and welfare | 134,681 | 134,781 | 87,681 | 47,100 |
| Culture and recreation | 90,500 | 88,500 | 156,673 | (68,173) |
| Conservation of natural resources | 91,632 | 111,055 | 95,289 | 15,766 |
| Economic development & assistance | 216,518 | 165,973 | 118,539 | 47,434 |
| Debt service: | | | | 0 |
| Principal | | | 55,325 | (55,325) |
| Interest | | | 3,916 | (3,916) |
| Total Expenditures | <u>4,948,682</u> | <u>5,306,580</u> | <u>4,575,936</u> | <u>730,644</u> |
| Excess of Revenues over (under) Expenditures | <u>(559,037)</u> | <u>(281,430)</u> | <u>151,081</u> | <u>432,511</u> |
| OTHER FINANCING SOURCES/USES | | | | |
| Proceeds of other debt | | | | |
| Refunding bonds issued | | | | |
| Insurance recoveries | | | | |
| Operating transfers in | | | | |
| Principal | | | | |
| Interest | | | | |
| Operating transfers out | | | (178,496) | (178,496) |
| Total Other Financing Sources and Uses | | | <u>(178,496)</u> | <u>(178,496)</u> |
| Net Changes in Fund Balance | (559,037) | (281,430) | (27,415) | 254,015 |
| Fund Balances - Beginning | (203,874) | 859,796 | 1,640,046 | 780,250 |
| Fund Balances - Ending | <u>\$ (762,911)</u> | <u>578,366</u> | <u>1,612,631</u> | <u>1,034,265</u> |

The accompanying notes to the required supplementary information are an integral part of this statement.

ITAWAMBA COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Tombigbee Tooling, Inc. Fund
 For the Year Ended September 30, 2009

| | Original Budget | Final Budget | Actual Budgetary Basis | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|------------------------------|--|
| REVENUES | | | | |
| Property tax | \$ | | | |
| Road and bridge privilege taxes | | | | |
| Licenses, commissions and other revenue | | | | |
| Fines and forfeitures | | | | |
| Intergovernmental revenues | | | | |
| Charges for services | | | | |
| Use of money and property | | | | |
| Miscellaneous revenue | | | 12,787 | 12,787 |
| Total Revenues | | | <u>12,787</u> | <u>12,787</u> |
| EXPENDITURES | | | | |
| General government | | | | |
| Public safety | | | | |
| Public works | | | | |
| Health and welfare | | | | |
| Culture and recreation | | | | |
| Conservation of natural resources | | | | |
| Economic development & assistance | | | | |
| Debt service: | | | | |
| Principal | | | | |
| Interest | | | | |
| Total Expenditures | | | | |
| Excess of Revenues over (under) Expenditures | | | <u>12,787</u> | <u>12,787</u> |
| OTHER FINANCING SOURCES/USES | | | | |
| Proceeds of other debt | | | | |
| Refunding bonds issued | | | | |
| Insurance recoveries | | | | |
| Operating transfers in | | | | |
| Principal | | | | |
| Interest | | | | |
| Operating transfers out | | | (12,205) | (12,205) |
| Total Other Financing Sources and Uses | | | <u>(12,205)</u> | <u>(12,205)</u> |
| Net Changes in Fund Balance | | | 582 | 582 |
| Fund Balances - Beginning | | | | |
| Fund Balances - Ending | \$ | | <u>582</u> | <u>582</u> |

The accompanying notes to the required supplementary information are an integral part of this statement.

ITAWAMBA COUNTY
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
Blue Fire Industrial Fund
For the Year Ended September 30, 2009

| | Original Budget | Final Budget | Actual Budgetary Basis | Variance with Final Budget Positive (Negative) |
|---|--------------------|------------------|------------------------------|--|
| REVENUES | | | | |
| Property tax | \$ | | | |
| Road and bridge privilege taxes | | | | |
| Licenses, commissions and other revenue | | | | |
| Fines and forfeitures | | | | |
| Intergovernmental revenues | | | | |
| Charges for services | | | | |
| Use of money and property | | | | |
| Miscellaneous revenue | | 3,012,158 | 50,000 | (2,962,158) |
| Total Revenues | | <u>3,012,158</u> | <u>50,000</u> | <u>(2,962,158)</u> |
| EXPENDITURES | | | | |
| General government | | | | |
| Public safety | | | | |
| Public works | | | | |
| Health and welfare | | | | |
| Culture and recreation | | | | |
| Conservation of natural resources | | | | |
| Economic development & assistance | | 42,000 | 41,173 | 827 |
| Debt service: | | | | |
| Principal | | | | |
| Interest | | | | |
| Total Expenditures | | <u>42,000</u> | <u>41,173</u> | <u>827</u> |
| Excess of Revenues over (under) Expenditures | | <u>2,970,158</u> | <u>8,827</u> | <u>(2,961,331)</u> |
| OTHER FINANCING SOURCES/USES | | | | |
| Proceeds of other debt | | | 2,961,984 | 2,961,984 |
| Refunding bonds issued | | | | |
| Insurance recoveries | | | | |
| Operating transfers in | | | | |
| Principal | | | | |
| Interest | | | | |
| Operating transfers out | | | | |
| Total Other Financing Sources and Uses | | | <u>2,961,984</u> | <u>2,961,984</u> |
| Net Changes in Fund Balance | | 2,970,158 | 2,970,811 | 653 |
| Fund Balances - Beginning | | | | |
| Fund Balances - Ending | \$ | <u>2,970,158</u> | <u>2,970,811</u> | <u>653</u> |

The accompanying notes to the required supplementary information are an integral part of this statement.

ITAWAMBA COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Road Maintenance Fund
 For the Year Ended September 30, 2009

| | Original Budget | Final Budget | Actual Budgetary Basis | Variance with Final Budget Positive (Negative) |
|---|---------------------|------------------|------------------------------|--|
| REVENUES | | | | |
| Property tax | \$ 770,000 | 770,000 | 718,623 | (51,377) |
| Road and bridge privilege taxes | 215,000 | 280,000 | 278,474 | (1,526) |
| Licenses, commissions and other revenue | | | 0 | 0 |
| Fines and forfeitures | | | 0 | 0 |
| Intergovernmental revenues | 290,600 | 740,900 | 589,476 | (151,424) |
| Charges for services | | | 38,005 | 38,005 |
| Use of money and property | | | | 0 |
| Miscellaneous revenue | 25,000 | 25,000 | 71,823 | 46,823 |
| Total Revenues | <u>1,300,600</u> | <u>1,815,900</u> | <u>1,696,402</u> | <u>(119,498)</u> |
| EXPENDITURES | | | | |
| General government | | | | |
| Public safety | | | | |
| Public works | 1,580,304 | 1,625,304 | 1,518,254 | 107,050 |
| Health and welfare | | | | |
| Culture and recreation | | | | |
| Conservation of natural resources | | | | |
| Economic development & assistance | | | | |
| Debt service: | | | | |
| Principal | | | 46,712 | (46,712) |
| Interest | | | 4,853 | (4,853) |
| Total Expenditures | <u>1,580,304</u> | <u>1,625,304</u> | <u>1,569,820</u> | <u>55,484</u> |
| Excess of Revenues over (under) Expenditures | <u>(279,704)</u> | <u>190,596</u> | <u>126,582</u> | <u>(64,014)</u> |
| OTHER FINANCING SOURCES/USES | | | | |
| Proceeds of other debt | | | | |
| Refunding bonds issued | | | | |
| Insurance recoveries | | | | |
| Operating transfers in | | | 213 | 213 |
| Principal | | | | |
| Interest | | | | |
| Operating transfers out | | | (2,842) | (2,842) |
| Total Other Financing Sources and Uses | | | <u>(2,629)</u> | <u>(2,629)</u> |
| Net Changes in Fund Balance | (279,704) | 190,596 | 123,953 | (66,643) |
| Fund Balances - Beginning | (194,048) | 502,402 | 774,287 | 271,885 |
| Fund Balances - Ending | <u>\$ (473,752)</u> | <u>692,998</u> | <u>898,240</u> | <u>205,242</u> |

The accompanying notes to the required supplementary information are an integral part of this statement.

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

Notes to the Required Supplementary Information

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 and Tax 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 supplementary 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 | Tombigbee Tooling, Inc. Fund | Blue Fire Industrial Fund | Countywide Road Maint. Fund |
|---|-----------------|------------------------------------|---------------------------------|-----------------------------------|
| Budget (Cash Basis) | \$ (27,415) | 582 | 2,970,811 | 123,953 |
| Increase (Decrease) | | | | |
| Net adjustments for revenue accruals | (321,243) | 554,071 | 75,444 | 245,651 |
| Net adjustments for expenditure accruals | 257,020 | (550,000) | (42,337) | (174,195) |
| GAAP Basis | \$ (91,638) | 4,653 | 3,003,918 | 195,409 |

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

D. Unbudgeted Funds

The following funds were not budgeted for the year ended September 30, 2009:

Fund

Special Revenue Fund:

- District 1 Economic District
- District 2 Economic District
- District 3 Economic District
- District 4 Economic District
- District 5 Economic District
- Tombigbee Tooling, Inc.

The unbudgeted funds are in violation of state law. However, the county has no liability associated with the violation.

***SUPPLEMENTAL
INFORMATION***

ITAWAMBA COUNTY
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2009

| Federal Grantor/Pass - Through Grantor/Program Title or Cluster | Federal CFDA Number | Pass-through Entity Identifying Number | Federal Expenditures |
|---|---------------------------|--|----------------------------|
| U.S. Department of Housing and Urban Development | | | |
| <u>Pass-Through Program From:</u> | | | |
| <u>Mississippi Development Authority</u> | | | |
| Community Development Block Grants/States's Program and Non-Entitlement Grants in Hawaii | 14.228 | 07-029-ED-01 | * <u>1,968,625</u> |
| Department of Homeland Security | | | |
| <u>Pass-Through Program From:</u> | | | |
| <u>Mississippi Office of Homeland Security</u> | | | |
| Law Enforcement Terrorism Prevention Grant Program Award | 97.067 | 07LE029 | 1,960 |
| | | | \$ <u><u>1,970,585</u></u> |

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Itawamba County under programs of the federal government for the year ended September 30, 2009. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule of expenditures of federal awards are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

* Denotes major federal award program.

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

SPECIAL REPORTS

INDEPENDENT AUDITORS' 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
Itawamba 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 Itawamba 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 October 14, 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.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2009-1 and 2009-2 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 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 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 item 2009-1 to be a material weakness.

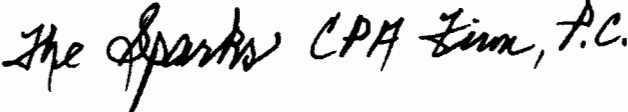
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Itawamba 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*.

We also noted certain immaterial instances of noncompliance which we have reported to the management of Itawamba County, Mississippi in the Independent Auditors' Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated October 14, 2011, included within this document.

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

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



The Sparks CPA Firm, P.C.
Certified Public Accountants
October 14, 2011

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

Members of the Board of Supervisors
Itawamba County, Mississippi

Compliance

We have audited the compliance of Itawamba County, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. Itawamba County, Mississippi's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Itawamba County, Mississippi's management. Our responsibility is to express an opinion on Itawamba County, Mississippi's compliance based on our audit.

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

In our opinion, Itawamba County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009.

Internal Control Over Compliance

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

A *control deficiency* in a county's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a

remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control. .

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

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

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

The Sparks CPA Firm, P.C.

The Sparks CPA Firm, P.C.
Certified Public Accountants
October 14, 2011

**INDEPENDENT AUDITORS' 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
Itawamba County, Mississippi

We have examined Itawamba County, Mississippi's (the County) compliance with 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) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2009. The Board of Supervisors of Itawamba County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Itawamba 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 disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed below:

Purchase Clerk.

Finding

Section 31-7-103, Miss. Code Ann. (1972), requires a purchase requisition, purchase order and receiving report for all purchases, except for those items enumerated by the Office of the State Auditor under the authority of Section 31-7-113, Miss. Code Ann. (1972), and except for purchases of not more than \$100.

We noted the following deviation from adequate controls related to an efficient and effective purchasing system:

Purchasing documents appear to have been prepared after the fact.

Recommendation

The Purchase Clerk should ensure that purchase orders are properly completed prior to making purchases.

Purchase Clerk's Response

All purchase orders in the future will be properly completed.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Itawamba 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 examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that study and evaluation.

Itawamba 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 Itawamba 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.

The Sparks CPA Firm, P.C.

The Sparks CPA Firm, P.C.
Certified Public Accountants
October 14, 2011

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

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

| <u>Date</u> | <u>Item Purchased</u> | <u>Bid Accepted</u> | <u>Vendor</u> | <u>Lowest Bid</u> | <u>Reason for Accepting Other Than Lowest Bid</u> |
|-------------|-----------------------|---------------------|---------------|-------------------|---|
|-------------|-----------------------|---------------------|---------------|-------------------|---|

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

Our test results did not identify any emergency purchases.

| <u>Date</u> | <u>Item Purchased</u> | <u>Amount Paid</u> | <u>Vendor</u> | <u>Reason for Emergency Purchase</u> |
|-------------|-----------------------|--------------------|---------------|--------------------------------------|
|-------------|-----------------------|--------------------|---------------|--------------------------------------|

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

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

| <u>Date</u> | <u>Item Purchased</u> | <u>Amount Paid</u> | <u>Vendor</u> |
|-------------|---------------------------|------------------------|---------------|
|-------------|---------------------------|------------------------|---------------|

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Itawamba County, Mississippi

In planning and performing our audit of the financial statements of Itawamba County, Mississippi for the year ended September 30, 2009, we considered Itawamba 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 Itawamba 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 October 14, 2011, on the financial statements of Itawamba County, Mississippi.

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

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

Board of Supervisors.

1. Finding

Section 19-11-11, Miss. Code Ann. (1972), requires the Board of Supervisors to prepare a budget for all funds, except Trust and Agency Funds. As reported in the last seven years' audit reports, some funds were not budgeted. Those funds included Districts 1 through 5 Economic District Funds and Tombigbee Tooling, Inc Fund.

Recommendation

The Board of Supervisors should properly prepare a budget for all funds.

Board of Supervisors' Response

All funds will be budgeted in future years.

2. Finding

The County's cafeteria plan provider is not on the Office of the State Auditor's list of approved providers.

Recommendation

The Board of Supervisors should only use an approved cafeteria plan provider as recommended by the Office of the State Auditor.

Board of Supervisors' Response

We will comply.

Chancery Clerk.

3. Finding

Section 9-1-43, Miss. Code Ann. (1972), requires the Chancery Clerk to maintain a cash journal to account for recording cash receipts from private or government sources.

Recommendation

The Chancery Clerk should deposit all fees including his payroll into his fee account

Chancery Clerk's Response

I will comply.

4. Finding

The Chancery Clerk's reconciled bank balance does not reconcile to the balance in the fee journal. Also, the bank reconciliations were not reviewed by someone other than the reconciler.

Recommendation

The Chancery Clerk should ensure that the reconciled bank balance agrees with the balance in the fee journal. The Chancery Clerk should also ensure that someone other than the reconciler review the bank statement.

Chancery Clerk's Response

I will comply.

5. Finding

The Chancery Clerk does not maintain an appeal subsidiary ledger which could result in the use of the funds for other than the intended purpose.

Recommendation

The Chancery Clerk should maintain an appeal subsidiary ledger in order to ensure the amount of money needed to settle the appeal is kept in the bank account.

Chancery Clerks' Response

I will comply.

6. Finding

The Chancery Clerk's court account should zero out each month after all settlements have been made. The Chancery Clerk does not zero out this account. He keeps a balance in the account.

Recommendation

The Chancery Clerk should zero out his court account at the end of each month.

Chancery Clerk's Response

I will comply.

7. Finding

The Chancery Clerk paid expenses out of his court account for his fee account expenses instead of settling the money to his fee account and then paying the expense from the fee account.

Recommendation

The Chancery Clerk should not pay fee account expenses through his court account. The money should be settled into his fee account and then written out of his fee account.

Chancery Clerk's Response

I will comply.

8. Finding

The Chancery Clerk did not monitor the amount of money in his court account and had a cash overdraft in one month.

Recommendation

The Chancery Clerk should monitor his court account and not allow his account to go into the negative.

Chancery Clerk's Response

I will comply.

9. Finding

Per the retiree's PERS 4B, one retired county employee was overpaid in the amount of \$302.

Recommendation

The Chancery Clerk should notify PERS of the overpayment and make the necessary corrections. The Chancery Clerk should put into place safeguards that would prevent this from happening in the future.

Chancery Clerk's Response

I will comply.

Tax Assessor.

10. Finding

The Tax Assessor failed to monitor the expiration date for the personal property exemptions. Thus, resulting in non-exempt property being erroneously left on the personal property roll.

Recommendation

The Tax Assessor should review all exemptions yearly for expiration dates to ensure that this does not happen again.

Tax Assessor's Response

I will comply.

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

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

The Sparks CPA Firm, P.C.

The Sparks CPA Firm, P.C.
Certified Public Accountants
October 14, 2011

***SCHEDULE OF FINDINGS
AND QUESTIONED COSTS***

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

Section 1: Summary of Auditors' Results

Financial Statements:

1. Type of auditors' report issued on the financial statements:

| | |
|--------------------------------------|-------------|
| Governmental Activities | Unqualified |
| Business-Type Activities | Unqualified |
| General Fund | Unqualified |
| Tombigbee Tooling, Inc. Fund | Unqualified |
| Blue Fire Industrial Fund | Unqualified |
| Countywide Road Maintenance Fund | Unqualified |
| Aggregate remaining fund information | Unqualified |

2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes

 - b. Significant deficiencies identified that are not considered to be material weaknesses? Yes

3. Noncompliance material to the financial statements? No

Federal Awards:

4. Internal control over major programs:
 - a. Material weaknesses identified? No

 - b. Significant deficiencies identified that is not considered to be a material weakness? No

5. Type of auditors' report issued on compliance for major federal programs:
 Unqualified

6. Any audit findings reported as required by Section __510(a) of Circular A-133? No

7. Federal programs identified as major programs:

CFDA # 14.228 U.S. Department of Housing and Urban Development
 passed-through the Mississippi Development Authority
 Community Development Block Grants/State's Program and Non-Entitlement
 Grants in Hawaii

8. The dollar threshold used to distinguish between type A and type B programs: \$300,000

9. Auditee qualifies as a low risk auditee? No

10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? No

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency – Material Weakness.

2009-1 Criteria

Personnel should have adequate knowledge of generally accepted accounting principles in order to prepare financial statements.

Condition

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.

Effect

The lack of knowledgeable personnel increases the risk that inaccurate information may be reported and increases the possibility of the loss or misappropriation of public funds.

Cause

Personnel do not have the knowledge necessary to prepare financial statements.

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

We will comply.

Chancery Clerk.

Significant Deficiency – Not a Material Weakness.

2009-2 Criteria

For effective internal control over cash, the receipt of revenue should be recorded in the county's records and deposited on a timely basis.

Condition

The Chancery Clerk's payroll reimbursement receipts were not made on a timely basis.

Effect

Failure to deposit Chancery Clerk's payroll reimbursement receipts on a timely basis essentially results in an "interest free" loan to the Chancery Clerk and could result in the loss or misappropriation of public funds.

Cause

The Chancery Clerk failed to monitor the timeliness of their employee payroll reimbursement.

Recommendation

The Chancery Clerk should make his payroll reimbursement to the County on or before the day of his employee payroll expenditures.

Chancery Clerk's Response

I will comply.

Section 3: Federal Award Findings and Questioned Costs

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