

SHARKEY COUNTY, MISSISSIPPI

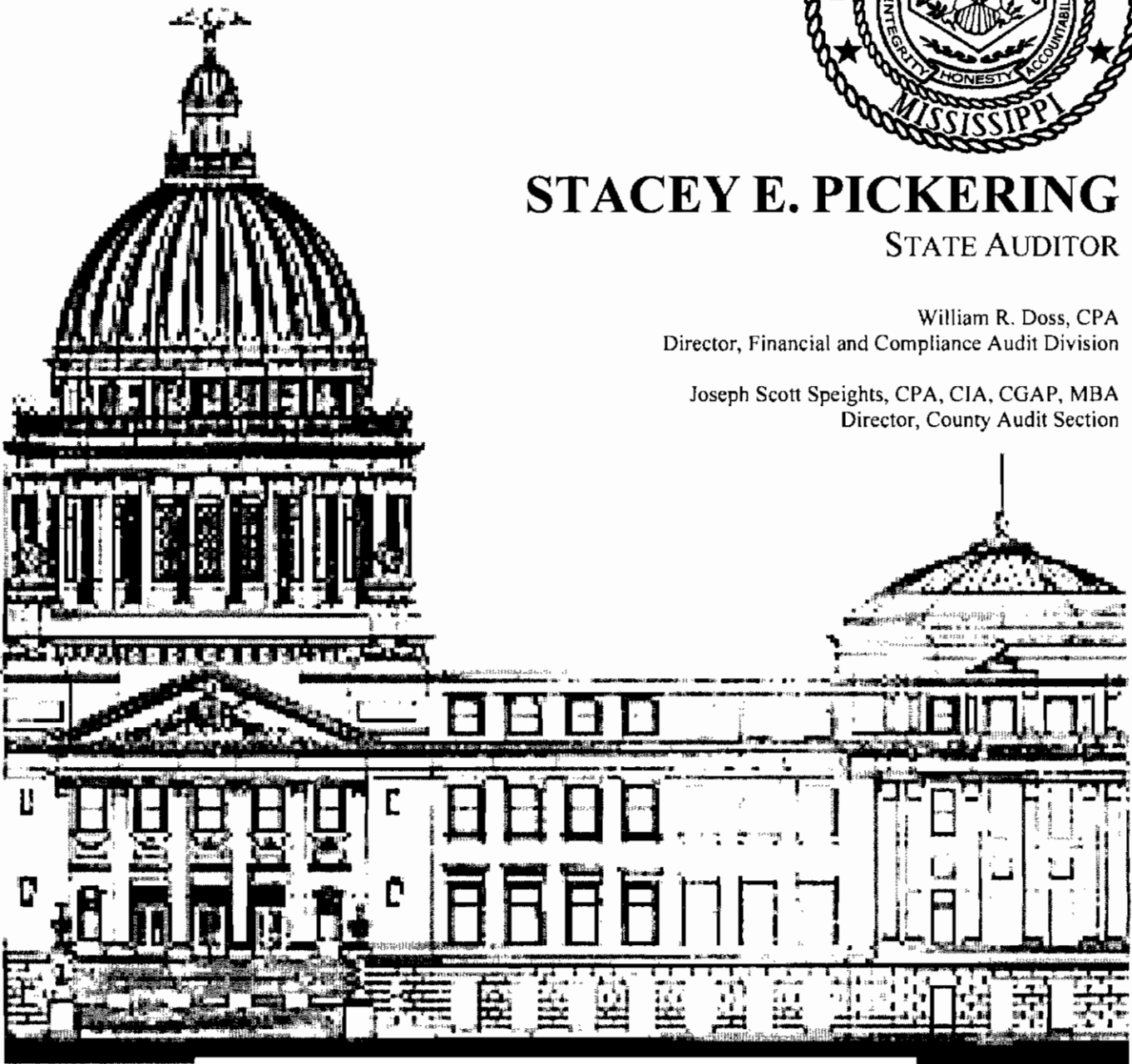
Audited Financial Statements and Special Reports
For the Year Ended September 30, 2009



STACEY E. PICKERING
STATE AUDITOR

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

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



A Report from the County Audit Section

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

February 11, 2011

Members of the Board of Supervisors
Sharkey County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2009 financial and compliance audit report for Sharkey County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed 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.

I appreciate the cooperation and courtesy extended by the officials and employees of Sharkey County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Sharkey County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering".

Stacey E. Pickering
State Auditor

SHARKEY COUNTY

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SHARKEY COUNTY

FINANCIAL SECTION

SHARKEY COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Sharkey County, Mississippi

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

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

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

As discussed in Note 1(H) to the financial statements, management has not maintained adequate subsidiary records documenting the existence, completeness and valuation of the capital assets reported on the Statement of Net Assets at \$7,829,433, as of September 30, 2009. Also, management has not maintained depreciation schedules or reported depreciation expense on the capital assets. Accounting principles generally accepted in the United States of America require that capital assets be depreciated which would decrease the assets and increase the expense, as well as, properly reflect the gains and losses on the disposal of capital assets of the governmental activities. The amount by which this departure would affect the assets, revenues and expenses of the governmental activities is not reasonably determinable.

Management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable of the Justice Court or the aging of these fines receivable. Due to the nature of the county's records, we were unable to satisfy ourselves as to the fair presentation of fines receivable, net, reported on the Statement of Net Assets and in the General Fund at \$85,208, as of September 30, 2009. Also, because of the nature of the fines receivable records, we could not satisfy ourselves as to the fair presentation of the related transactions of the General Fund.

In our opinion, because of the omission of the discretely presented component units, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Sharkey County, Mississippi, as of September 30, 2009, or the changes in financial position thereof for the year then ended.

In our opinion, because of the effects of the matter discussed in the fourth paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of Sharkey County, Mississippi, as of September 30, 2009, and the changes in the financial position thereof for the year then ended.

In our opinion, except for the effects of such adjustments if any, as might have been determined to be necessary had we been able to examine evidence to determine the net realizable value of the Justice Court fines receivable for the General Fund as described in the fifth paragraph, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the General Fund of Sharkey County, Mississippi, as of September 30, 2009, and the respective changes in financial position, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

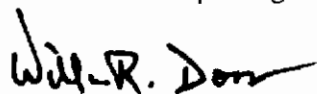
In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the Garbage and Solid Waste Fund, General Road Fund and the aggregate remaining fund information of Sharkey County, Mississippi, as of September 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2011, on our consideration of Sharkey County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sharkey County, Mississippi's basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements. For reasons stated in the fourth paragraph of our report, we expressed an opinion that the financial statements of Sharkey County do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of Sharkey County, Mississippi, as of September 30, 2009, and the changes in the financial position thereof for the year then ended. Therefore, we do not express an opinion on the accompanying Reconciliation of Operating Costs of Solid Waste.



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

February 11, 2011

SHARKEY COUNTY

FINANCIAL STATEMENTS

SHARKEY COUNTY

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SHARKEY COUNTY
Statement of Net Assets
September 30, 2009

Exhibit I

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash	\$ 1,451,389
Property tax receivable	2,053,063
Accounts receivable (net of allowance for uncollectibles of \$415,940)	90,092
Fines receivable (net of allowance for uncollectibles of \$173,037)	85,208
Loans receivable	3,434
Intergovernmental receivables	20,468
Other receivables	7,015
Capital assets:	
Land	82,638
Other capital assets	7,746,795
Total Assets	<u>11,540,102</u>
LIABILITIES	
Claims payable	314,570
Amounts held in eustody for others	9,322
Intergovernmental payables	39,622
Accrued interest payable	3,403
Deferred revenue	2,053,063
Long-term liabilities	
Due within one year:	
Capital debt	427,291
Non-capital debt	3,310
Due in more than one year:	
Capital debt	422,805
Total Liabilities	<u>3,273,386</u>
NET ASSETS	
Invested in capital assets, net of related debt	6,979,337
Restricted:	
Expendable:	
General government	28,548
Debt service	28,440
Public safety	54,521
Public works	677,230
Health and welfare	29,279
Culture and recreation	58,092
Economic development	21,754
Unrestricted	389,515
Total Net Assets	<u>\$ 8,266,716</u>

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

SHARKEY COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2009

Exhibit 3

	Major Funds				Total Governmental Funds
	General Fund	Garbage and Solid Waste Fund	General Road Fund	Other Governmental Funds	
ASSETS					
Cash	\$ 495,557	71,400	246,017	638,415	1,451,389
Property tax receivable	1,416,993	119,000	148,750	368,320	2,053,063
Accounts receivable (net of allowance for uncollectibles of \$415,940)		90,092			90,092
Fines receivable (net of allowance for uncollectibles of \$173,037)	85,208				85,208
Loans receivable				3,434	3,434
Intergovernmental receivables	20,468				20,468
Other receivables	2,286				2,286
Due from other funds		1,882	2,352	8,530	12,764
Advances to other funds	33,872		41,248	11,948	87,068
Total Assets	\$ 2,054,384	282,374	438,367	1,030,647	3,805,772
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims payable	\$ 154,391	29,074	67,089	64,016	314,570
Intergovernmental payables	37,952				37,952
Due to other funds	14,434				14,434
Advances from other funds	28,467	4,839		49,033	82,339
Deferred revenue	1,502,201	209,092	148,750	368,320	2,228,363
Amounts held in custody for others	9,322				9,322
Total Liabilities	1,746,767	243,005	215,839	481,369	2,686,980
Fund balances:					
Reserved for:					
Debt service				31,843	31,843
Loans receivable				3,434	3,434
Advances	33,872		41,248	11,948	87,068
Unreserved - undesignated, reported in:					
General Fund	273,745				273,745
Special Revenue Funds		39,369	181,280	502,053	722,702
Total Fund Balances	307,617	39,369	222,528	549,278	1,118,792
Total Liabilities and Fund Balances	\$ 2,054,384	282,374	438,367	1,030,647	3,805,772

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

SHARKEY COUNTY

Exhibit 3-1

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

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 1,118,792
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds.	7,829,433
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	175,300
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(853,406)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(3,403)</u>
Total Net Assets - Governmental Activities	\$ <u><u>8,266,716</u></u>

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

SHARKEY COUNTY

Exhibit 4

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

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Garbage and Solid Waste Fund	General Road Fund		
REVENUES					
Property taxes	\$ 1,820,364	148,968	185,241	382,423	2,536,996
Road and bridge privilege taxes				51,598	51,598
Licenses, commissions and other revenue	80,427			2,461	82,888
Fines and forfeitures	78,765			2,563	81,328
Intergovernmental revenues	284,764	2,792	113,504	672,963	1,074,023
Charges for services	8,840	181,449		60,869	251,158
Interest income	26,145	44	131	400	26,720
Miscellaneous revenues	62,063	6,768	187	81,281	150,299
Total Revenues	<u>2,361,368</u>	<u>340,021</u>	<u>299,063</u>	<u>1,254,558</u>	<u>4,255,010</u>
EXPENDITURES					
Current:					
General government	1,411,500			65,787	1,477,287
Public safety	477,105			65,992	543,097
Public works		342,123	296,413	786,647	1,425,183
Health and welfare	247,531			150,000	397,531
Culture and recreation	9,389			48,536	57,925
Conservation of natural resources	39,554				39,554
Economic development and assistance	2,266				2,266
Debt service:					
Principal	27,392	36,297	18,533	131,581	213,803
Interest	2,451	5,205	4,403	28,962	41,021
Total Expenditures	<u>2,217,188</u>	<u>383,625</u>	<u>319,349</u>	<u>1,277,505</u>	<u>4,197,667</u>
Excess of Revenues over (under) Expenditures	<u>144,180</u>	<u>(43,604)</u>	<u>(20,286)</u>	<u>(22,947)</u>	<u>57,343</u>
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued		37,000	26,045		63,045
Total Other Financing Sources and Uses	<u>0</u>	<u>37,000</u>	<u>26,045</u>	<u>0</u>	<u>63,045</u>
Net Changes in Fund Balances	<u>144,180</u>	<u>(6,604)</u>	<u>5,759</u>	<u>(22,947)</u>	<u>120,388</u>
Fund Balances - Beginning	207,473	45,973	216,769	528,189	998,404
Prior period adjustment	(44,036)			44,036	0
Fund Balances - Beginning, as restated	<u>163,437</u>	<u>45,973</u>	<u>216,769</u>	<u>572,225</u>	<u>998,404</u>
Fund Balances - Ending	\$ <u>307,617</u>	<u>39,369</u>	<u>222,528</u>	<u>549,278</u>	<u>1,118,792</u>

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

SHARKEY COUNTY

Exhibit 4-1

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

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 120,388
Amounts reported for governmental activities in the Statement of Activities are different because:	
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.	15,945
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(159,300)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$213,803 exceeded debt proceeds of \$63,045.	150,758
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by the amount of decrease in accrued interest payable.	<u>3,986</u>
Change in Net Assets of Governmental Activities	\$ <u><u>131,777</u></u>

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

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

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 86,526
Due from other funds	<u>1,670</u>
Total Assets	<u>\$ 88,196</u>
LIABILITIES	
Amounts held in custody for others	\$ 32,247
Intergovernmental payables	51,220
Advances from other funds	<u>4,729</u>
Total Liabilities	<u>\$ 88,196</u>

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

SHARKEY COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

- Sharkey-Issaquena Community Hospital
- Sharkey-Issaquena Library

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

SHARKEY COUNTY

Notes to Financial Statements For the Year Ended September 30, 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 and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

C. Measurement Focus and Basis of Accounting.

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

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

The county reports the following major Governmental Funds:

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

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

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

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

SHARKEY COUNTY

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

FIDUCIARY FUND TYPE

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

D. Account Classifications.

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

E. Deposits and Investments.

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

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

F. Receivables.

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

G. Interfund Transactions and Balances.

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

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. However, the amounts for capital assets reported on the accompanying Statement of Net Assets, do not include amounts for capital assets related to infrastructure and related depreciation because the county has not maintained adequate records documenting the county's infrastructure or records documenting depreciation on applicable assets. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. The extent to which capital assets costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

SHARKEY COUNTY

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

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

I. Long-term Liabilities.

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

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

J. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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

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

K. Property Tax Revenues.

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

SHARKEY COUNTY

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

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

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

L. Intergovernmental Revenues in Governmental Funds.

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

M. Compensated Absences.

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

(2) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances.

Explanation	Amount
To reclassify the Reappraisal Fund from the General Fund to Other Governmental Funds	
General Fund	\$ (44,036)
Other Governmental Funds	44,036
	0
Total prior period adjustment	\$ 0

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2009, was \$1,537,915, and the bank balance was \$1,586,917. 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).

SHARKEY COUNTY

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

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

(4) Interfund Transactions and Balances.

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

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Garbage and Solid Waste	General	\$ 1,882
General Road	General	2,352
Other Governmental Funds	General	8,530
Agency Funds	General	<u>1,670</u>
Total		<u>\$ 14,434</u>

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

B. Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Garbage and Solid Waste	\$ 4,839
General	Other Governmental Funds	29,033
General Road	General	21,248
General Road	Other Governmental Funds	20,000
Other Governmental Funds	General	7,219
Other Governmental Funds	Agency Funds	<u>4,729</u>
Total		<u>\$ 87,068</u>

The advance from General Road to Other Governmental Funds represents assistance to pay for repairs to a capital asset. All other advances represent the correction of accounting errors. All advance balances are not expected to be repaid within one year from the date of the financial statements.

(5) Intergovernmental Receivables.

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

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 18,434
Welfare reimbursement	<u>2,034</u>
Total Governmental Activities	<u>\$ 20,468</u>

SHARKEY COUNTY

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

(6) Loans Receivable.

Loans receivable balances at September 30, 2009, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Receivable Balance</u>
Home Repair Loans*	Various	0%	Various	\$ 3,434
Total				\$ <u>3,434</u>

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

(7) Capital Assets.

The following is a summary of capital assets balance at September 30, 2009:

Governmental activities:

	<u>Balance Sept. 30, 2009</u>
<u>Non-depreciable capital assets:</u>	
Land	\$ 82,638
<u>Depreciable capital assets:</u>	
Buildings	5,330,252
Mobile equipment	1,709,387
Furniture and equipment	245,341
Leased property under capital leases	461,815
Total depreciable capital assets	<u>7,746,795</u>
Governmental activities capital assets	\$ <u>7,829,433</u>

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

(8) Claims and Judgments.

Risk Financing.

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

SHARKEY COUNTY

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

(9) Operating Leases.

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$28,115 for the year ended September 30, 2009. The future minimum lease receivables for these leases are as follows:

Year Ended September 30	Amount
2010	\$ 28,115
2011	28,115
Total Minimum Payments Required	\$ 56,230

(10) Capital Leases.

As Lessee:

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

Class of Property	Governmental Activities
Mobile equipment	\$ 618,431
Leased Property Under Capital Leases	\$ 618,431

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

Year Ending September 30	Governmental Activities	
	Principal	Interest
2010	\$ 316,092	16,385
2011	52,973	5,554
2012	93,791	2,947
Total	\$ 462,856	24,886

(11) Short-term Debt and Liquidity.

The following is a summary of short-term debt activity for the year ended September 30, 2009:

Description of Debt	Balance Oct. 1, 2008	Additions	Reductions	Adjustments	Balance Sept. 30, 2009
District 1 Road - car	\$ 7,005	0	7,005	0	0

During the month of March, 2008, the county issued \$7,005 in short-term debt with the purpose of purchasing a used vehicle. The debt had an interest rate of 5.25% and was paid off in full on April 6, 2009.

SHARKEY COUNTY

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

(12) Long-term Debt.

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. Capital Leases:			
Kubota tractor	\$ 22,000	4.75%	04-2012
Bulldozer	30,127	3.75%	02-2012
Ford F-150 truck	12,072	4.75%	02-2012
Case 865 motor grader	70,472	3.39%	04-2010
Case 865 motor grader	81,365	3.55%	07-2010
Case 560M extendahoe	38,176	3.74%	07-2010
Palmer dump trailer	26,045	3.59%	03-2011
Mack dump truck	75,249	4.49%	04-2010
Motor grader	107,350	4.42%	07-2012
Total Capital Leases	\$ 462,856		
B. Other Loans:			
Computer system	\$ 22,444	6.25%	04-2011
Capital improvement loan - Stonecraft project	313,606	4.00%	02-2014
99 International truck - General Road	429	5.75%	04-2010
99 International truck - District 5	429	5.75%	04-2010
Mack garbage truck	50,332	6.25%	04-2011
Working capital - General Fund	3,310	6.25%	04-2011
Total Other Loans	\$ 390,550		

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

Governmental Activities:

Year Ending September 30	Other Loans	
	Principal	Interest
2010	\$ 114,509	15,275
2011	94,923	9,858
2012	70,285	6,547
2013	73,124	3,707
2014	37,709	753
Total	\$ 390,550	36,140

SHARKEY COUNTY

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

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2009, the amount of outstanding debt was equal to less than 1% of the latest property assessments.

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

	Balance Oct. 1, 2008	Additions	Reductions	Adjustments	Balance Sept. 30, 2009	Amount due within one year
Governmental Activities:						
Capital leases	\$ 483,794	63,045	83,983		462,856	316,092
Other loans	520,370		129,820		390,550	114,509
Total	<u>\$ 1,004,164</u>	<u>63,045</u>	<u>213,803</u>	<u>0</u>	<u>853,406</u>	<u>430,601</u>

(13) Deficit Fund Balance of Individual Fund.

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

Fund	Deficit Amount
District Four Road Maintenance	\$ 8,772

(14) Contingencies.

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

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

(15) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Delta Community Mental Health Services operates in a district composed of the Counties of Bolivar, Issaquena, Sharkey and Washington. The Sharkey County Board of Supervisors appoints one of the four members of the commissioners. The county appropriated \$49,000 for support of the Delta Community Mental Health Services in fiscal year 2009.

Mississippi Delta Community College operates in a district composed of the Counties of Bolivar, Coahoma, Humphreys, Issaquena, Leflore, Sharkey, Sunflower and Washington. The Sharkey County Board of Supervisors appoints three of the 20 members of the college board of trustees. The county appropriated \$79,170 for maintenance and support of the college in fiscal year 2009.

SHARKEY COUNTY

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

South Delta Planning and Development District operates in a district composed of the Counties of Bolivar, Humphreys, Issaquena, Sharkey, Sunflower and Washington. The Sharkey County Board of Supervisors appoints three of the 22 members of the board of directors. The county contributes only a small part of the entity's total revenue.

The Yazoo-Mississippi Water Management District operates in a district composed of the Counties of Bolivar, Carroll, Coahoma, DeSoto, Holmes, Humphreys, Issaquena, Leflore, Panola, Quitman, Sharkey, Sunflower, Tallahatchie, Tate, Tunica, Washington and Yazoo. The Sharkey County Board of Supervisors appoints one of the 21 members of the board of commissioners. The county contributed \$22,891 to support the district in fiscal year 2009.

(16) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 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 \$158,704, \$144,269 and \$134,901, respectively, equal to the required contributions for each year.

(17) Subsequent Events.

Subsequent to September 30, 2009, Sharkey County issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
03/15/2010	3.55%	\$ 21,505	Capital lease	Ad valorem taxes
03/25/2010	3.50%	131,995	Capital lease	Ad valorem taxes
05/05/2010	3.55%	32,904	Capital lease	Ad valorem taxes
05/18/2010	3.25%	101,505	Other loan	Ad valorem taxes
06/10/2010	3.25%	160,020	Other loan	Ad valorem taxes
06/10/2010	3.25%	175,650	Other loan	Ad valorem taxes
07/01/2010	3.25%	57,909	Other loan	Ad valorem taxes

SHARKEY COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,749,650	1,820,107	1,820,107	
Road and bridge privilege taxes				
Licenses, commissions and other revenue	68,200	83,245	83,245	
Fines and forfeitures	72,000	89,705	89,705	
Intergovernmental revenues	174,300	291,115	291,115	
Charges for services	10,000	8,840	8,840	
Interest income	9,000	26,144	26,144	
Miscellaneous revenues	35,000	62,063	62,063	
Total Revenues	<u>2,118,150</u>	<u>2,381,219</u>	<u>2,381,219</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	1,423,149	1,443,192	1,443,192	
Public safety	510,755	481,133	481,133	
Health and welfare	232,499	244,513	244,513	
Culture and recreation	8,500	9,375	9,375	
Conservation of natural resources	40,981	38,985	38,985	
Economic development and assistance	2,266	2,266	2,266	
Total Expenditures	<u>2,218,150</u>	<u>2,219,464</u>	<u>2,219,464</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(100,000)</u>	<u>161,755</u>	<u>161,755</u>	<u>0</u>
Net Change in Fund Balance	(100,000)	161,755	161,755	0
Fund Balances - Beginning	<u>100,000</u>	<u>207,473</u>	<u>207,473</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>369,228</u>	<u>369,228</u>	<u>0</u>

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

SHARKEY COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Garbage and Solid Waste Fund
 For the Year Ended September 30, 2009

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 140,000	149,030	149,030	
Intergovernmental revenues		2,792	2,792	
Charges for services	161,312	180,743	180,743	
Interest income		44	44	
Miscellaneous revenues		6,768	6,768	
Total Revenues	<u>301,312</u>	<u>339,377</u>	<u>339,377</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	<u>301,312</u>	<u>345,721</u>	<u>345,721</u>	
Total Expenditures	<u>301,312</u>	<u>345,721</u>	<u>345,721</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>(6,344)</u>	<u>(6,344)</u>	<u>0</u>
Net Change in Fund Balance	0	(6,344)	(6,344)	0
Fund Balances - Beginning	<u> </u>	<u>45,973</u>	<u>45,973</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>39,629</u>	<u>39,629</u>	<u>0</u>

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

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 175,000	185,320	185,320	
Intergovernmental revenues		1,183	1,183	
Interest income		131	131	
Miscellaneous revenues		112,507	112,507	
Total Revenues	<u>175,000</u>	<u>299,141</u>	<u>299,141</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	220,000	234,826	234,826	
Total Expenditures	<u>220,000</u>	<u>234,826</u>	<u>234,826</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(45,000)</u>	<u>64,315</u>	<u>64,315</u>	<u>0</u>
Net Change in Fund Balance	(45,000)	64,315	64,315	0
Fund Balances - Beginning	<u>45,000</u>	<u>216,769</u>	<u>216,769</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>281,084</u>	<u>281,084</u>	<u>0</u>

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

SHARKEY COUNTY

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

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types		
	General Fund	Garbage and Solid Waste Fund	General Road Fund
Budget (Cash Basis)	\$ 161,755	(6,344)	64,315
Increase (Decrease)			
Net adjustments for revenue accruals	(19,851)	644	(78)
Net adjustments for expenditure accruals	2,276	(904)	(58,478)
GAAP Basis	\$ 144,180	(6,604)	5,759

SHARKEY COUNTY

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SHARKEY COUNTY

SUPPLEMENTAL INFORMATION

SHARKEY COUNTY

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

Operating Expenditures, Cash Basis:

Salaries	\$	145,029
Expendable Commodities:		
Gasoline and petroleum products		31,967
Repair parts		43,472
Clothing		967
Maintenance		1,654
Postage and box rent		4,749
Solid waste disposal fees		<u>76,682</u>
 Solid Waste Cash Basis Operating Expenditures		 304,520
Full Cost Expenses:		
Indirect administrative costs		5,315
Net effect of other accrued expenses		<u>904</u>
 Solid Waste Full Cost Operating Expenses	 \$	 <u><u>310,739</u></u>

SHARKEY COUNTY

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SHARKEY COUNTY

SPECIAL REPORTS

SHARKEY COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Members of the Board of Supervisors
Sharkey County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Sharkey County, Mississippi, as of and for the year ended September 30, 2009, which collectively comprise the county's basic financial statements and have issued our report thereon dated February 11, 2011. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. Our report also includes an adverse opinion on the governmental activities because the county did not maintain adequate subsidiary records documenting the existence, completeness, valuation, and depreciation of capital assets, as well as a qualified opinion on the General Fund because the county did not maintain adequate subsidiary records documenting the existence and valuation of the Justice Court fines receivable, both of which are required by accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 09-1, 09-2, 09-3, 09-4, 09-5, 09-6, 09-7 and 09-8 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 09-1, 09-2, 09-3, 09-4 and 09-5 to be material weaknesses.

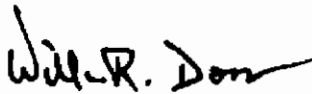
Compliance and Other Matters

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

However, we noted certain matters that we reported to the management of Sharkey County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated February 11, 2011, included within this document.

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

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



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

February 11, 2011



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Members of the Board of Supervisors
Sharkey County, Mississippi

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

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

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

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

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

Inventory Control Clerk.

Finding

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

Recommendation

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

Inventory Control Clerk's Response

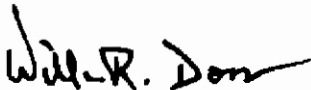
We are still working to correct this.

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

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

Sharkey County's 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 Sharkey County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.



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

February 11, 2011

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

Schedule 1

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

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

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
02/02/2009	Bulldozer	\$ 37,000	Stribling Equipment	The county's rubbish facility was closed until a working bulldozer could be obtained.

SHARKEY COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively 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.

SHARKEY COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Sharkey County, Mississippi

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

In addition, for areas not considered material to Sharkey County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated February 11, 2011, on the financial statements of Sharkey County, Mississippi.

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

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. Finding

Section 25-11-127 (4)(b), Miss. Code Ann. (1972), requires the county to file with the Public Employees Retirement System a PERS Form 4B Certification/Acknowledgment of Reemployment of Retiree within five days of employment of a PERS retiree. The county failed to file this form within the required time for one employed PERS retiree. This caused the county to be in noncompliance with legal requirements.

Recommendation

The county should file the Form 4B with the Public Employees Retirement System for all retired employees within five days of reemployment.

Board of Supervisors' Response

We are currently correcting this.

Sheriff.

2. Finding

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

Recommendation

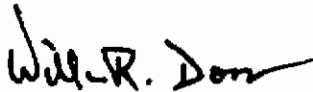
The Sheriff should implement a system of review of the accounting records by another person.

Sheriff's Response

I, Sheriff Adams, agree to identify and correct all problems.

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

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



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

February 11, 2011

SHARKEY COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

SHARKEY COUNTY

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SHARKEY COUNTY

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

Section 1: Summary of Auditor's Results

Financial Statements:

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

Governmental activities	Adverse
Aggregate discretely presented component units	Adverse
General Fund	Qualified
Garbage and Solid Waste Fund	Unqualified
General Road Fund	Unqualified
Aggregate remaining fund information	Unqualified

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

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

3. Noncompliance material to the financial statements noted? No

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency - Material Weakness

09-1. Finding

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

Recommendation

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

Board of Supervisors' Response

We will comply.

SHARKEY COUNTY

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

Significant Deficiency - Material Weakness

09-2. Finding

An effective system of internal control over the solid waste accounts receivable records should include maintaining adequate subsidiary records to substantiate the total accounts receivable balance and include adequate documentation on estimates for the related allowance for uncollectible amounts. Balances on some individual accounts receivables at year-end as reported on the aged accounts receivable report did not agree with the balances as shown on the individual account history detail because account balances shown on the aged accounts receivable report did not include account history prior to June 1, 2000. In addition, based on test work performed on the solid waste allowance for uncollectible estimates, we determined that the balance of allowance for uncollectibles was unreasonably low. An adjustment was proposed by the auditor and the adjustment was made by the county to correct the solid waste accounts receivable. Failure to maintain adequate subsidiary records of solid waste accounts receivables and to adequately determine and document reasonable estimates of solid waste allowance for uncollectibles could result in misstatements in the financial statements.

Recommendation

The Board of Supervisors should maintain complete and adequate subsidiary solid waste accounts receivable records and should adequately determine and document reasonable estimates of solid waste allowance for uncollectibles.

Board of Supervisors' Response

The Board will ensure that the solid waste accounts are adequately recorded.

Significant Deficiency - Material Weakness

09-3. Finding

An effective system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles should include adequate detail to document the compilation of individual funds' balances and transactions as well as any adjustments to these balances and transactions, proper accrual of revenues and expenditures, proper classification of revenues and expenditures, proper classification of restricted net assets and the inclusion of all required disclosures in the notes to the financial statements. We noted the following deficiencies in the financial statement preparation and reporting:

- a. Intergovernmental revenues totaling \$350,488 were posted to the wrong revenue accounts. Failure to post revenues to the correct revenue accounts resulted in these revenues being misclassified on the statement of activities. Audit adjustments to correct these errors were proposed to management and made to the financial statements with management's approval.
- b. Prior year accruals were identified but not reversed from current year revenues and receivables. Also, a current year accrual was identified but no receivable was booked for financial statement disclosure. Failure to reverse prior year accruals and accrue the current year receivable resulted in a net overstatement of receivables and revenues of \$4,376. Audit adjustments to correct these errors were proposed to management and made to the financial statements with management's approval.
- c. Amounts reported in the notes to the financial statements, required supplementary information and supplemental information were not adequately documented. Failure to document amounts resulted in errors in several note disclosures and schedules. Disclosures and schedules containing the corrected information were proposed to management and included in the notes to the financial statements, required supplementary information and supplemental information with management's approval.

SHARKEY COUNTY

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

Recommendation

The Board of Supervisors should implement a system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles that ensures proper accrual of revenues and expenditures, proper classification of revenues and expenditures, and the accuracy of all required disclosures in the notes to the financial statements.

Board of Supervisors' Response

The board will implement a system to accurately report financials.

Inventory Control Clerk.

Significant Deficiency - Material Weakness

09-4. Finding

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

Recommendation

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

Inventory Control Clerk's Response

We are currently working to correct this.

Justice Court Clerk.

Significant Deficiency - Material Weakness

09-5. Finding

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

Recommendation

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

SHARKEY COUNTY

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

Justice Court Clerk's Response

I will do better in the future.

Chancery Clerk.

Significant Deficiency

09-6. Finding

The county has adopted a policy of compensated absences for its employees. The Chancery Clerk, as county auditor and treasurer, should maintain records that account for the number of leave hours each employee accumulates on a monthly basis and the current hourly rate of pay for each employee. This information is needed to calculate the end of year compensated absences liability. Generally accepted accounting principles require the resulting liability to be reported in the financial statements. As reported in the prior seven years' audit reports, the Chancery Clerk did not maintain the necessary records to calculate the compensated absence liability. Failure to properly account for compensated absences could result in incorrect payments being made to employees leaving county service and result in not reporting the compensated absence liability in the financial statements.

Recommendation

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

Chancery Clerk's Response

I will comply.

Justice Court Clerk.

Significant Deficiency

09-7. Finding

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

Recommendation

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

Justice Court Clerk's Response

I separate duties as much as possible. The Board of Supervisors will not hire another deputy clerk.

SHARKEY COUNTY

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

Circuit Clerk.

Significant Deficiency

09-8. Finding

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

Recommendation

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

Circuit Clerk's Response

I will comply.