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CLAIBORNE COUNTY, MISSISSIPPI

**Audited Financial Statements and Special Reports
For the Year Ended September 30, 2010**

CLAIBORNE COUNTY

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CLAIBORNE COUNTY

FINANCIAL SECTION



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MARY LYLES, CPA, MPA

TRACEY SINCLAIR, CPA

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Claiborne County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Claiborne County, Mississippi, as of and for the year ended September 30, 2010, 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, each major fund and the aggregate remaining fund information for Claiborne County, Mississippi, as of September 30, 2010, 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 accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2011, on our consideration of Claiborne 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.

Claiborne 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 Schedule and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We 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 Claiborne 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.



Lyles and Sinclair, PLLC
August 30, 2011

CLAIBORNE COUNTY

FINANCIAL STATEMENTS

CLAIBORNE COUNTY
Statement of Net Assets
September 30, 2010

Exhibit 1

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
ASSETS	
Cash	\$ 1,782,723
Accrued interest receivable	97
Property tax receivable	2,555,104
Accounts receivable (net of allowance for uncollectibles of \$244,668)	165,566
Fines receivable (net of allowance for uncollectibles of \$104,335)	116,707
Loans receivable	944,715
Intergovernmental receivables	160,794
Other receivables	574,013
Capital assets:	
Land	1,033,871
Other capital assets, net	11,439,286
 Total Assets	 <u>18,772,876</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Claims payable	476,122
Accrued interest payable	93,704
Intergovernmental payables	55,768
Deferred revenue	2,555,104
Amounts held in custody for others	17,023
Other payables	2,500,000
Long-term liabilities:	
Due within one year	
Capital debt	662,810
Non-capital debt	195,659
Due in more than one year	
Capital debt	8,414,754
Non-capital debt	2,553,247
	<u>17,524,191</u>
NET ASSETS	
Invested in capital assets, net of related debt	3,430,135
Restricted:	
Expendable:	
Public safety	212,431
Public works	280,255
Culture and recreation	14,640
Economic development	868,051
Unrestricted	(3,556,827)
 Total Net Assets	 <u>\$ 1,248,685</u>

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

CLAIBORNE COUNTY
Statement of Activities
For the Year Ended September 30, 2010

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 3,796,636	172,773	6,691	52,876	(3,564,296)
Public safety	2,917,546	121,710	173,592	128,607	(2,493,637)
Public works	2,917,401	275,716	481,615	420,178	(1,739,892)
Health and welfare	1,408,175		1,072,407		(335,768)
Culture and recreation	332,844	17,180			(315,664)
Education	491,775				(491,775)
Conservation of natural resources	71,279				(71,279)
Economic development and assistance	500		112,500		112,000
Interest on long-term debt	381,335				(381,335)
Total Governmental Activities	<u>12,317,491</u>	<u>587,379</u>	<u>1,846,805</u>	<u>601,661</u>	<u>(9,281,646)</u>
General revenues:					\$
Property taxes					3,235,866
Road & bridge privilege taxes					109,574
Grants and contributions not restricted to specific programs					4,853,933
Unrestricted interest income					11,756
Miscellaneous					627,097
Total General Revenues					<u>8,838,226</u>
Changes in Net Assets					<u>(443,420)</u>
Net Assets - Beginning, as previously reported					1,476,021
Prior period adjustment					216,084
Net Assets - Beginning, as restated					<u>1,692,105</u>
Net Assets - Ending					<u>\$ 1,248,685</u>

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

CLAIBORNE COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2010

Exhibit 3

	Major Funds			Total Governmental Funds
	General Fund	Bridge & Culvert Fund	Other Governmental Funds	
ASSETS				
Cash	\$ 1,300,843	233,724	248,156	1,782,723
Accrued interest receivable	56		41	97
Property tax receivable	1,138,998	23,480	1,392,626	2,555,104
Accounts receivable (net of allowance for uncollectibles of \$244,668)			165,566	165,566
Fines receivable (net of allowance for uncollectibles of \$104,335)	116,707			116,707
Loans receivable	534,715		410,000	944,715
Intergovernmental receivables	54,279		106,515	160,794
Other receivables	506,696		67,317	574,013
Due from other funds	1,100,000	132	95,257	1,195,389
Advances to other funds	203,215		41,718	244,933
Total Assets	\$ 4,955,509	257,336	2,527,196	7,740,041
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 290,918		185,204	476,122
Intergovernmental payables	52,839			52,839
Due to other funds	52,764	32,011	1,113,543	1,198,318
Advances from other funds	41,718		203,215	244,933
Deferred revenue	1,255,705	23,480	1,558,192	2,837,377
Amounts held in custody for others	17,023			17,023
Other payables	2,000,000		500,000	2,500,000
Total Liabilities	3,710,967	55,491	3,560,154	7,326,612
Fund balances:				
Reserved for:				
Debt service			79,508	79,508
Loans receivable	534,715		410,000	944,715
Advances	203,215		41,718	244,933
Unreserved - undesignated, reported in:				
General Fund	506,612			506,612
Special Revenue Funds		201,845	(1,564,184)	(1,362,339)
Total Fund Balances	1,244,542	201,845	(1,032,958)	413,429
Total Liabilities and Fund Balances	\$ 4,955,509	257,336	2,527,196	7,740,041

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

CLAIBORNE COUNTY
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2010

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 413,429
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 \$6,972,223.	12,473,157
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	116,707 165,566
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(11,826,470)
Accrued interest payable is not due and payable in the current period and, therefore, are not reported in the funds.	(93,704)
Total Net Assets - Governmental Activities	\$ <u>1,248,685</u>

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

CLAIBORNE COUNTY
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2010

Exhibit 4

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Bridge & Culvert Fund		
REVENUES				
Property taxes	\$ 1,615,504	8,401	1,611,961	3,235,866
Road and bridge privilege taxes			109,574	109,574
Licenses, commissions and other revenue	80,347		3,144	83,491
Fines and forfeitures	118,986			118,986
Intergovernmental revenues	5,306,351		2,496,048	7,802,399
Charges for services	22,244		199,899	222,143
Interest income	6,964	1,203	3,589	11,756
Miscellaneous revenues	530,265		37,646	567,911
Total Revenues	<u>7,680,661</u>	<u>9,604</u>	<u>4,461,861</u>	<u>12,152,126</u>
EXPENDITURES				
Current:				
General government	3,674,192			3,674,192
Public safety	2,750,887		160,651	2,911,538
Public works	81,909	21,166	2,786,799	2,889,874
Health and welfare	377,403		1,030,854	1,408,257
Culture and recreation	356,583		6,414	362,997
Education			491,775	491,775
Conservation of natural resources	71,279			71,279
Economic development and assistance	500			500
Debt service:				
Principal	145,791		573,831	719,622
Interest	40,676		348,381	389,057
Total Expenditures	<u>7,499,220</u>	<u>21,166</u>	<u>5,398,705</u>	<u>12,919,091</u>
Excess of Revenues over (under) Expenditures	<u>181,441</u>	<u>(11,562)</u>	<u>(936,844)</u>	<u>(766,965)</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	259,658		224,241	483,899
Proceeds from sale of capital assets			70,441	70,441
Compensation for loss of capital assets	38,262			38,262
Transfers in	3,138		3,103	6,241
Transfers out	(3,000)		(3,241)	(6,241)
Total Other Financing Sources and Uses	<u>298,058</u>	<u>0</u>	<u>294,544</u>	<u>592,602</u>
Net Changes in Fund Balances	<u>479,499</u>	<u>(11,562)</u>	<u>(642,300)</u>	<u>(174,363)</u>
Fund Balances - Beginning	765,043	213,407	(390,658)	587,792
Fund Balances - Ending	<u>\$ 1,244,542</u>	<u>201,845</u>	<u>(1,032,958)</u>	<u>413,429</u>

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

CLAIBORNE 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, 2010

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (174,363)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$656,088 was less than depreciation of \$773,403 in the current period.	(117,315)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net gain of \$59,387 and compensation of loss of capital assets of \$38,262 and the proceeds from the sale of \$70,441 in the current period.	(49,316)
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.	(2,807)
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.	165,566
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 \$983,899 exceeds repayments of \$719,622.	(264,277)
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 a combination of the following items:	
The amount of decrease in accrued interest payable	7,722
The amount of increase in compensated absences	(8,630)
Change in Net Assets of Governmental Activities	\$ <u>(443,420)</u>

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

CLAIBORNE COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2010

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 136,632
Due from other funds	2,929
Total Assets	\$ <u><u>139,561</u></u>
LIABILITIES	
Amounts held in custody for others	\$ 3,363
Intergovernmental payables	136,198
Total Liabilities	\$ <u><u>139,561</u></u>

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

Claiborne County

Notes to Financial Statements For the Year Ended September 30, 2010

(I) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

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

B. Individual Component Unit Disclosures.

Blended Component Units

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

C. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, 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.

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.

Claiborne County

Notes to Financial Statements For the Year Ended September 30, 2010

D. Measurement Focus and Basis of Accounting.

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

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

The county reports the following major Governmental Funds:

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

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

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

FIDUCIARY FUND TYPES

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

E. Account Classifications.

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

F. Deposits and Investments.

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

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

Claiborne County

Notes to Financial Statements
For the Year Ended September 30, 2010

G. Receivables.

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

H. Interfund Transactions and Balances.

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

I. Capital Assets.

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

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

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

J. Long-term Liabilities.

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

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

K. Equity Classifications.

Government-wide Financial Statements:

Claiborne County

Notes to Financial Statements
For the Year Ended September 30, 2010

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

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

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.

L. Property Tax Revenues.

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

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

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

M. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion 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.

N. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements 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.

(2) Prior Period Adjustment.

A summary of the significant fund equity adjustment is as follows:

Claiborne County

Notes to Financial Statements
For the Year Ended September 30, 2010

Exhibit 2 – Statement of Activities.

Explanation	Amount
To correct error in capital assets, net	\$ 216,084
Total prior period adjustment	<u>\$ 216,084</u>

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2010, was \$1,919,355 and the bank balance was \$2,143,716. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC).

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

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2010:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General	Other Governmental Funds	\$ 1,100,000
Bridge and Culvert Fund	General	132
Other Governmental Funds	General	49,703
Fiduciary Funds	General	2,929
Other Governmental Funds	Bridge and Culvert Fund	32,011
	Other Governmental Funds	13,543
Total		<u>\$ 1,198,318</u>

The amounts payable by the General Fund represents tax revenue collected but not settled until October, 2010 and road and bridge taxes deposited into the wrong fund. The amounts payable to the General Fund represent loans for repayment of debt.

B. Advances from/to Other Funds:

Receivable Fund	Payable Fund	Amount
General	Other Governmental Funds	\$ 203,215
Other Governmental Funds	General Fund	41,718
Total		<u>\$ 244,933</u>

The amounts payable to the General Fund represents a loan for the payment of debt for the Road Fund. The amounts payable by the General Fund represents an error in posting property tax and road and bridge taxes in the prior year.

C. Transfers In/Out:

Claiborne County

Notes to Financial Statements
For the Year Ended September 30, 2010

Transfer In	Transfer Out	Amount
General Fund	Other Governmental Funds	\$ 3,138
Other Governmental Funds	General Fund	3,000
Other Governmental Funds	Other Governmental Funds	103
Total		\$ 6,241

The principal purpose of the interfund transfers was to cover revenue shortfalls in other funds and to provide matching funds for a federal grant. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2010, consisted of the following:

Governmental Activities:

Description	Amount
Legislative tax credit	\$ 27,203
Department of public safety	19,040
Highway planning and construction	77,320
MS development authority	19,330
Other	17,901
Total Governmental Activities	\$ 160,794

(6) Loans Receivable.

Loans receivable balances at September 30, 2010, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Balance Receivable
Hospital loan	07-06-01	0.0%	N/A	\$ 60,000
Hospital loan	07-11-01	0.0%	N/A	65,000
Port Gibson Apartments, LLC	03-13-01	Various	09-50	410,000
Hospital loan	03-09-04	0.0%	12-07	76,666
CDBG Economic Development Loan	11-05-09	3.0%	12-18	458,049
Total				1,069,715
Less: Allowance for doubtful accounts*				125,000
Total (Net of allowance for doubtful accounts)				\$ 944,715

* The Claiborne County Hospital loans receivables dated July 6, 2001 and July 11, 2001, were determined to be uncollectible in fiscal year 2006.

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2010:

Governmental activities:

Balance

Balance

Claiborne County

Notes to Financial Statements
For the Year Ended September 30, 2010

	<u>Oct. 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments*</u>	<u>Sept. 30, 2010</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,033,871				1,033,871
Total non-depreciable capital assets	<u>1,033,871</u>				<u>1,033,871</u>
<u>Depreciable capital assets:</u>					
Infrastructure	4,532,144				4,532,144
Buildings	6,717,566		44,027	637,450	7,310,989
Improvements other than buildings	1,615,033				1,615,033
Mobile equipment	3,553,015	70,917	158,981	(5,980)	3,458,971
Furniture and equipment	558,546	220,144	14,894		763,796
Leased property under capital leases	478,104	365,027	112,555		730,576
Total depreciable capital assets	<u>17,454,408</u>	<u>656,088</u>	<u>330,457</u>	<u>631,470</u>	<u>18,411,509</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	453,224	90,646			543,870
Buildings	2,484,135	134,821	33,350	509,960	3,095,566
Improvements other than buildings	217,330	64,605			281,935
Mobile equipment	2,085,867	259,279	132,241		2,212,905
Furniture and equipment	385,073	127,141	14,250		497,964
Leased property under capital leases	438,946	96,911	101,300	(94,574)	339,983
Total accumulated depreciation	<u>6,064,575</u>	<u>773,403</u>	<u>281,141</u>	<u>415,386</u>	<u>6,972,223</u>
Total depreciable capital assets, net	<u>11,389,833</u>	<u>(117,315)</u>	<u>49,316</u>	<u>216,084</u>	<u>11,439,286</u>
Governmental activities capital assets, net	<u>\$ 12,423,704</u>	<u>(117,315)</u>	<u>49,316</u>	<u>216,084</u>	<u>12,473,157</u>

*Adjustments are for paid out leased property under capital lease and adjusting asset cost to historical value.

Depreciation expense was charged to the following functions:

	<u>Amount</u>
<u>Governmental Activities:</u>	
General government	\$ 201,974
Public safety	263,409
Public works	281,063
Culture and recreation	26,957
Total governmental activities depreciation expense	<u>\$ 773,403</u>

(8) Commitments.

Claiborne County participates in an interlocal agreement pertaining to a Multi-Jurisdictional Narcotics Enforcement Unit formed collectively with Carroll, Claiborne, Grenada, Holmes, Humphreys, Jefferson, Leflore, and Tunica Counties known as the North

Claiborne County

Notes to Financial Statements
For the Year Ended September 30, 2010

Central Narcotics Task Force. The task force was established to provide more widespread apprehension and prosecution of violators. The county appropriated \$9,555 for its support in fiscal year 2010.

(9) 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, 2010, to January 1, 2011. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(10) Operating Lease.

As Lessor:

The county receives income from leasing the operation of the county hospital. Total income from such leases was \$136,000 for the year ended September 30, 2010.

The future minimum lease receivables for these leases are as follows:

Year Ending September 30	<u>Governmental Activities</u> Principal
2011	\$ 384,000
2012	384,000
2013	384,000
2014	384,000
2015	384,000
2016 – 2020	1,920,000
2021 – 2025	1,920,000
2026 – 2030	1,920,000
2031 - 2033	1,152,000
Total Minimum Payments Required	\$ 8,832,000

(11) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2010:

Classes of Property	<u>Governmental</u> <u>Activities</u>
Mobile equipment	\$ 730,576
Less: Accumulated depreciation	339,983

Leased Property Under Capital Leases	\$ 390,593

The following is a schedule by years of the total payments due as of September 30, 2010:

Claiborne County

Notes to Financial Statements
For the Year Ended September 30, 2010

Year Ending September 30	Governmental Activities	
	Principal	Interest
2011	\$ 226,215	17,359
2012	151,390	7,953
2013	122,682	3,393
2014	38,629	334
Total	538,916	29,039

(12) Short-term Debt and Liquidity.

The following is a summary of short-term debt activity for the year ended September 30, 2010:

Description of Debt	Balance Oct. 1, 2009	Additions	Reductions	Adjustments	Balance Sept. 30, 2010
Tax anticipation note	\$ 2,500,000		2,500,000		0
Tax anticipation note	0	2,500,000			2,500,000
Total	\$ 2,500,000	2,500,000	2,500,000		2,500,000

During the month of August 2010, the county issued \$2,500,000 at 1.95% interest of tax anticipation notes in order to alleviate a temporary operating cash flow deficiency. The balance outstanding at September 30, 2010, matures on March 1, 2011.

(13) Long-term Debt.

Debt outstanding as of September 30, 2010, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
General obligation bonds-2005	\$ 3,675,000	3.87/5.00%	10-25
Total General Obligation Bonds	\$ 3,675,000		
B. Special Obligation Bonds:			
Special obligation bonds, series 2007A	\$ 3,320,000	4.50%	07-32
Special obligation bonds, series 2007B	3,230,000	5.65/5.90%	07-24
Total Special Obligation Bonds	\$ 6,550,000		
C. Capital Leases:			
(2) Case 865 DPH motor graders	\$ 83,175	3.00%	02-12
Volvo front-end loader	124,989	3.00%	05-13

Claiborne County

Notes to Financial Statements
For the Year Ended September 30, 2010

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Case 1150H crawler dozer	71,094	3.97%	02-11
Vehicles	259,658	3.4%	02-14
Total Capital Leases	<u>\$ 538,916</u>		
D. Other Loans:			
State revolving loan fund	\$ 62,587	4.00%	01-13
CAP loan	133,674	2.00%	06-12
Short-term note, series 2008	107,317	6.45%	07-11
Short-term note, series 2009	79,974	3.15%	10-12
Equipment	3,892	3.0%	05-13
CDBG economic development loan	458,049	8.25%	12-17
Total Other Loans	<u>\$ 845,493</u>		

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Special Obligation Bonds	
	Principal	Interest	Principal	Interest
2011	\$ 180,000	146,945	155,000	336,720
2012	185,000	138,733	165,000	327,962
2013	190,000	130,533	175,000	318,640
2014	200,000	122,245	185,000	308,752
2015	1,150,000	477,576	195,000	298,300
2016 – 2020	1,440,000	219,118	1,160,000	1,311,198
2021 - 2025	330,000	6,765	1,550,000	928,130
2026 - 2030			2,025,000	492,975
2031 - 2033			940,000	63,900
Total	<u>\$ 3,675,000</u>	<u>1,241,915</u>	<u>6,550,000</u>	<u>4,386,577</u>
			Other Loans	
Year Ending September 30			Principal	Interest
2011			\$ 297,254	26,863
2012			175,888	14,663
2013			91,858	10,390
2014			62,822	7,556
2015			64,733	5,645
2016-2018			152,938	5,411
Total			<u>845,493</u>	<u>70,528</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state

Claiborne County

Notes to Financial Statements
For the Year Ended September 30, 2010

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, 2010, the amount of outstanding debt was equal to 5.5% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2010:

	Balance Oct. 1, 2009	Additions	Reductions	Adjustments	Balance Sept. 30, 2010	Amount due within one Year
Governmental Activities:						
Compensated absences	\$ 208,431	9,600	970		217,061	
General obligation bonds	3,845,000		170,000		3,675,000	180,000
Special obligation bonds	6,700,000		150,000		6,550,000	155,000
Capital leases	294,101	399,568	154,753		538,916	226,215
Other loans	506,031	584,331	244,869		845,493	297,254
Total	\$ 11,553,563	993,499	720,592	0	11,826,470	858,469

Compensated absences will be paid from the fund from which the employees' salaries were paid, which are generally the General Fund, Road Maintenance Fund and Solid Waste Fund.

(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) No Commitment Debt (Not Included in Financial Statements).

No commitment debt is repaid only by the entities for whom the debt was issued and includes debt that either bears the county's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the county other than possibly an agreement to assist creditors in exercising their rights in the event of default. Because a default may adversely affect the county's own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

Description	Balance at Sept. 30, 2010
Industrial revenue bonds and notes	112,645,000

(16) Joint Ventures.

The county participates in the following joint ventures:

The Claiborne County Board of Supervisors is a participant with the City of Port Gibson in a joint venture, authorized by Mississippi's non-profit corporate statutes, to operate the Harriette Person Memorial Library. The joint venture is governed by a nine-member board of trustees. By contractual agreement, the county's appropriation to the joint venture was \$50,039 in fiscal year 2010. Complete financial statements for the Harriette Person Memorial Library can be obtained from P. O. Box 1017, Port

Claiborne County

Notes to Financial Statements For the Year Ended September 30, 2010

Gibson, Mississippi 39150.

(17) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Hinds Community College operates in a district composed of the Counties of Claiborne, Copiah, Hinds, Rankin and Warren. The Claiborne County Board of Supervisors appoints one of the 15 members of the college board of trustees. The county appropriated \$216,851 for maintenance and support of the college in fiscal year 2010.

Southwest Mississippi Mental Health Complex operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Claiborne County Board of Supervisors appoints one of the ten members of the board of commissioners. The county appropriated \$19,600 for its support in fiscal year 2010.

Southwest Mississippi Planning and Development District operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Claiborne County Board of Supervisors appoints four of the 40 members of the board of directors. The county appropriated \$27,000 for its support in fiscal year 2010.

Southwest Mississippi Development Corporation operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The entity is governed by ten members appointed by each county's lead industrial foundation or chamber of commerce. If no industrial foundation or chamber of commerce is present, the member is appointed by the county's Board of Supervisors. The member counties provide only modest financial support for the entity.

(18) Defined Benefit Pension Plan.

Plan Description. Claiborne 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 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2010 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, 2010, 2009 and 2008 were \$381,869, \$347,806, and \$341,313, respectively, equal to the required contributions for each year.

(19) Subsequent Events.

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of the Claiborne County evaluated the activity of the County through August 30, 2011, (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred that require disclosure in the notes to the financial statements:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
11/10	3.20%	\$ 100,000	Other Loan	Ad valorem taxes
12/10	2.35%	650,000	Other Loan	Ad valorem taxes

The Board of Supervisors implemented a plan to furlough eligible employees two days a month from January 2011 through September 2011.

CLAIBORNE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

CLAIBORNE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,991,354	1,616,113	1,616,113	0
Licenses, commissions and other revenue	166,854	203,735	203,735	0
Fines and forfeitures	33,000	16,804	16,804	0
Intergovernmental revenues	6,887,459	8,494,630	8,494,630	0
Charges for services	102,809	206,484	206,484	0
Interest income		4,883	6,925	2,042
Miscellaneous revenues	58,998	281,450	174,846	(106,604)
Total Revenues	9,240,474	10,824,099	10,719,537	(104,562)
EXPENDITURES				
Current:				
General government	3,160,743	8,942,058	8,943,183	(1,125)
Public safety	2,302,438	2,815,776	2,816,229	(453)
Public works	1	225,117	225,117	0
Health and welfare	845,192	839,271	839,271	0
Culture and recreation	286,391	306,993	306,993	0
Conservation of natural resources	75,162	70,139	70,139	0
Economic development and assistance		500,500	500,500	0
Total Expenditures	6,669,928	13,699,854	13,701,432	(1,578)
Excess of Revenues over (under) Expenditures	2,570,546	(2,875,755)	(2,981,895)	(102,984)
OTHER FINANCING SOURCES (USES)				
Proceeds of Other Debt		2,259,658	2,259,658	0
Compensation for loss of capital assets		38,262	38,262	0
Transfers in		957,323	50,323	(907,000)
Total Other Financing Sources and Uses	0	3,255,243	2,348,243	(907,000)
Net Change in Fund Balance	2,570,546	379,488	(633,652)	(1,009,984)
Fund Balances - Beginning		2,021,267	1,582,884	(438,383)
Fund Balances - Ending	\$ 2,570,546	2,021,657	949,232	(1,448,367)

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

CLAIBORNE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Bridge and Culvert Fund
 For the Year Ended September 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 18,000	40,410	40,410	0
Interest income			1,203	1,203
Total Revenues	<u>18,000</u>	<u>40,410</u>	<u>41,613</u>	<u>1,203</u>
EXPENDITURES				
Current:				
Public works	18,000	41,854	41,854	0
				0
Total Expenditures	<u>18,000</u>	<u>41,854</u>	<u>41,854</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>(1,444)</u>	<u>(241)</u>	<u>1,203</u>
OTHER FINANCING SOURCES (USES)				
				0
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	0	(1,444)	(241)	1,203
Fund Balances - Beginning		233,966	233,966	0
Fund Balances - Ending	<u>\$ 0</u>	<u>232,522</u>	<u>233,725</u>	<u>1,203</u>

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

CLAIBORNE COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2010

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-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

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

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (non GAAP) basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund. The 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:

CLAIBORNE COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2010

		<u>Governmental Fund Types</u>	
		<u>General Fund</u>	<u>Bridge & Culvert Fund</u>
Budget (Cash Basis)	\$	8,217	(241)
Increase (Decrease)			
Net adjustments for revenue accruals		11,560	(32,008)
Net adjustments for expenditure accruals		(40,278)	20,687
Other reconciling items:		500,000	
GAAP Basis	\$	<u>479,499</u>	<u>(11,562)</u>

D. Excess of Actual Expenditures Over Budget in Individual Funds.

The following fund had an excess of actual expenditures over budget for the year ended September 30, 2010:

<u>Fund</u>	<u>Excess</u>
General Fund	\$ 1,578

The fund listed above is in violation of Section 19-11-17, Miss. Code Ann. (1972). However, the county has no liability associated with this violation.

CLAIBORNE COUNTY

SUPPLEMENTAL INFORMATION

CLAIBORNE COUNTY
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2010

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U. S. Department of Agriculture Rural Development			
Soil and Water Conservation	10.902	69-4423-10-1989	\$ <u>9,865</u>
U. S. Department of Commerce			
Public Safety Interoperable Communications Grant Program	11.555	07PS313	<u>157,456</u>
U. S. Department of Housing and Urban Development Passed through the MS Development Authority			
Community Development Block Grants/State's Program*	14.228	1102-09-011-LN-01	<u>500,000</u>
U. S. Department of Justice Passed through the MS Department of Public Safety			
Victim of Crime Act Recovery Grant Program	16.807	07VA1111	26,145
Victim of Crime Act Recovery Grant Program	16.807	09XA1111	<u>10,590</u>
Total U. S. Department of Justice			<u>36,735</u>
U. S. Department of Transportation - Federal Highway Administration Passed through the MS Department of Transportation			
Highway Planning and Construction	20.205	TCSP-0011-00(014)	121,280
Highway Planning and Construction	20.205	N/A	<u>28,882</u>
			150,162
Occupant Protection Grant Program	20.602	10-OP-111-1	<u>9,988</u>
Total U. S. Department of Transportation			<u>160,150</u>
Direct Program			
U.S. Department of Health & Human Services			
Consolidated Health Centers (Note B)*	93.224	H80CS00482	<u>1,030,854</u>
Total Expenditures of Federal Awards			<u>\$ 1,895,060</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

Note B - Consolidated Health Centers

Of the federal expenditures presented in the schedule, the county provided federal awards totaling \$1,030,854 to subrecipients during the year ended September 30, 2010.

* Denotes major federal award program.

CLAIBORNE COUNTY

SPECIAL REPORTS

LYLES AND SINCLAIR

(601) 981-5707



CERTIFIED PUBLIC ACCOUNTANTS

P. O. BOX 11625 • JACKSON, MISSISSIPPI 39283-1625

MARY LYLES, CPA, MPA

TRACEY SINCLAIR, CPA

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
Claiborne County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Claiborne County, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the county's basic financial statements and have issued our report thereon dated August 30, 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 Claiborne 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 Claiborne 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 and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed in the Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the county's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 10-1, 10-2, 10-3, and 10-5 to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 10-4, 10-6, and 10-7 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Claiborne 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

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MEMBER:


American Institute of CPA's and Mississippi Society of CPA's

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 Claiborne 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 August 30, 2011, included within this document.

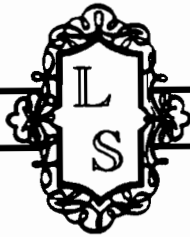
Claiborne County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Claiborne County's responses and, accordingly, we express no opinion on them.

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.


Lyles and Sinclair, PLLC
August 30, 2011

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MARY LYLES, CPA, MPA

TRACEY SINCLAIR, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board of Supervisors
Claiborne County, Mississippi

Compliance

We have audited the compliance of Claiborne 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 could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. Claiborne County, Mississippi's major federal programs are identified in the summary of auditor's 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 Claiborne County, Mississippi's management. Our responsibility is to express an opinion on Claiborne 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 Claiborne 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 on Claiborne County, Mississippi's compliance with those requirements.

In our opinion, Claiborne County, Mississippi, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

Internal Control Over Compliance

The management of Claiborne 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 Claiborne 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a

timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected that results in more than a remote likelihood that material noncompliance will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

A handwritten signature in cursive script that reads "Lyles and Sinclair, PLLC".

Lyles and Sinclair, PLLC
August 30, 2011

LYLES AND SINCLAIR

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MARY LYLES, CPA, MPA

TRACEY SINCLAIR, CPA

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
Claiborne County, Mississippi

We have examined Claiborne County, Mississippi's 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, 2010. The Board of Supervisors of Claiborne 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 Claiborne 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 current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

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

Inventory Control Clerk.

1. Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. As reported in prior years' audit reports, capital asset control procedures were inadequate for maintaining adequate subsidiary records documenting the valuation of capital assets. The county did provide documentation for some of the county-owned land and buildings; however, documentation was not available for the dates of purchase and valuation for all of the county-owned land and buildings. We were unable to determine if values were recorded at historical cost or replacement cost.

Recommendation

The Inventory Control Clerk should continue to ascertain the historical and/or estimated cost of land and buildings and the appropriate useful life of the assets.

Inventory Control Clerk's Response

The Inventory Control Clerk will ask the Board of Supervisor to employ an appraisal to determine the valuation for the county-owned land and buildings that do not have documentation on the dates of purchase and valuation.

2. Finding

The following were noted in relation to capital assets:

- a. All capital assets required to be reported were not included in the subsidiary records.
- b. All items that were approved for deletion were not deleted from the subsidiary records.
- c. Some capital assets were incorrectly recorded as to type.
- d. Some completed leases were recorded incorrectly.

The cause for these issues is not known. An effective system of internal control over financial reporting requires subsidiary records to be properly updated and assets to be properly safeguarded. Failure to update the subsidiary records accurately results in the capital assets being misstated.

Recommendation

We recommend that the Inventory Control Clerk properly record capital assets in the subsidiary records.

Inventory Clerk's Response

I will properly record capital assets in the subsidiary records.

Receiving Clerk

3. Finding

Section 31-7-109, Miss. Code Ann. (1972) requires the receiving clerk or his assistants to acknowledge the receipt of goods upon proper delivery in compliance with the central purchasing system. We noted instances where there was no receiving report present or the receiving report was not in date sequence with the other purchasing documents. This results in noncompliance with state statutes.

Recommendation

We recommend that the Receiving Clerk follow prescribed procedures to ensure that all receiving documents are properly prepared and maintained.

Receiving Clerk's Response

I have no knowledge of the invoice date. My job is to date the receiving report as I receive the merchandise. I am in compliance.

Purchase Clerk

4. Finding

Section 31-7-103, Miss. Code Ann. (1972) requires the purchase clerk to purchase all equipment, heavy equipment, machinery, supplies, materials and services for the county from successful bidders or vendors in compliance with the central purchasing system. We noted an instance where all purchasing documents were not in date sequence with the other purchasing documents. This results in noncompliance with state statutes.

Recommendation

We recommend that the Purchase Clerk follow prescribed procedures to ensure that all purchase documents are properly prepared and maintained.

Purchase Clerk's Response

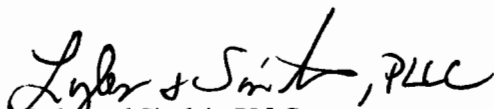
I will comply to follow prescribed purchasing procedures in the future.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Claiborne County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2010.

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 examination.

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

This report is intended for use in evaluating the central purchasing system and inventory control system of Claiborne 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.


Lyles and Sinclair, PLLC
August 30, 2011

CLAIBORNE COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2010

Schedule 1

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

CLAIBORNE COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2010

Schedule 2

Our tests did not identify any emergency purchases.

CLAIBORNE COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2010

Schedule 3

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

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TRACEY SINCLAIR, CPA

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Claiborne County, Mississippi

In planning and performing our audit of the financial statements of Claiborne County, Mississippi for the year ended September 30, 2010, we considered Claiborne 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 Claiborne 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 August 30, 2011, on the financial statements of Claiborne County, Mississippi.

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

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

Chancery Clerk.

1. Finding

Our tests of statutory fees disclosed an instance where the Chancery Clerk was paid more than the amount allowed. Section 25-7-9, Miss. Code Ann. (1972) sets the amount the Clerk is to be paid for attending court. This appears to have been caused by human error and results in noncompliance with state law.

Recommendation

We recommend that controls be implemented to ensure compliance with state law regarding the payment of all fees.

Chancery Clerk's Response

I regret that the error occurred. I will comply with the state law regarding the payment of all fees.

Circuit Clerk.

2. Finding

An effective system of internal control should include properly maintaining cash journals, reconciling the bank statements to the cash journals and maintaining a subsidiary bond ledger. As reported in the prior six years' audit reports, a subsidiary bond ledger was not maintained. Also, the bank statements were not reconciled accurately for all accounts. Failure to properly reconcile the bank statements to the cash journals and to maintain a subsidiary bond ledger could result in the loss of public funds.

Recommendation

The Circuit Clerk should ensure that the bank statements are reconciled accurately to the cash journals and that a subsidiary bond ledger is maintained.

Circuit Clerk's Response

I hope that I will be able to continue to have an Accountant to help maintain the cash journal and bank statements to all the Court Accounts. After searching for a subsidiary bond ledger description, the only information I found is listed in Section 83-39-31 and I have that Bond Docket and a binder where all bonds from the Sheriff Department are listed and recorded and the amount of the Bond.

3. Finding

An effective system of internal control should include properly maintaining a fee journal and reconciling the bank statements to the fee journal. A check from the civil account that should have been deposited into the fee account was deposited into the criminal account. This oversight likely occurred due to the untimely preparation of the bank reconciliations and resulted in the underreporting of fees on the annual report. In addition, the annual report was not filed timely. Section 9-1-45, Miss. Code Ann. (1972), requires the Circuit Clerk to file, not later than April 15 of each year, with the State Auditor an annual report. Failure to file the annual report by April 15 results in noncompliance by the Circuit Clerk.

Recommendation

The Circuit Clerk should ensure that the bank statements are reconciled accurately and timely to the fee journal. The amount of \$1,310 should be returned to the County General Fund. In addition, the Circuit Clerk should establish procedures to ensure that the annual report is filed timely.

Circuit Clerk's Response

These were Circuit Clerk fees due the Clerk that were put into the Criminal Account by error. I will turn over the Circuit Clerk fees of \$1,310 to General County Fund as directed. The State Auditor's Office will notify the Circuit Clerk in writing if we are extremely late with our report and we will have a penalty if we do not comply as directed. I will work on procedures to try and have the Annual Report filed timely.

Auditor's Note

The Circuit Clerk paid the General County Fund \$1,310 on July 20, 2011 as evidenced by receipt number 36561.

Claiborne 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.

Lyles & Sinclair, PLLC

Lyles and Sinclair, PLLC
August 30, 2011

CLAIBORNE COUNTY, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CLAIBORNE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2010

Section 1: Summary of Auditor's Results

Financial Statements:

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

Governmental activities	Unqualified
General fund	Unqualified
Bridge & Culvert 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

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness identified? No
 - b. Significant deficiency identified that is not considered to be a material weakness? None Reported
5. Type of auditor's report issued on compliance for major federal programs: Unqualified
6. Any audit findings disclosed that are required to be reported in accordance with Section ____ .510(a) of Circular A-133? No
7. Federal programs identified as major programs:
 - a. Community Development Block Grants/State's Program, CFDA #14.228
 - b. Consolidated health centers, CFDA #93.224
8. The dollar threshold used to distinguish between type A and type B programs: \$300,000
9. Auditee qualified as a low-risk auditee? No
10. Prior fiscal year audit findings 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 Weaknesses

10-1. Finding

The county did not prepare its financial statements, related notes, and schedule of expenditures of federal awards. An effective system of internal control over financial reporting should ensure that personnel are capable of preparing the financial statements, related notes, and schedule of expenditures of federal awards in accordance with generally accepted accounting principles. The county chose to have the auditor to prepare the financial statements, related notes, and schedule of expenditures of federal awards. Without adequate controls in place, the risk of inadequate information being reported increases.

Recommendation

We recommend the Board of Supervisors implement controls to ensure that personnel prepare the financial statements, related notes, and schedule of expenditures of federal awards in accordance with generally accepted accounting principles.

Board of Supervisors Response

The board of supervisors will look to implement controls to ensure that personnel prepare the financial statements and related notices in accordance with generally accepted accounting principles.

Significant Deficiency – Material Weaknesses

10-2. Finding

An effective system of internal control over financial reporting should include properly recording, processing, and reporting all financial transactions. We noted that funds were being collected for making identification cards using county-owned equipment but were not reported and settled to the General County Fund. The cause for this is unknown. Failure to record, process, and report funds collected in a timely manner could result in loss of public funds and cause the financial statements to be misstated.

Recommendation

We recommend that controls be developed and implemented to ensure that all receipts are properly recorded and deposited.

Board of Supervisor's Response

The board of supervisors will inform and work with ALL county departments to development and implement controls to ensure that all funds being collected are reported and settled with the chancery clerk and properly posted to the General County Fund.

Auditor's Note

A settlement of funds currently on hand was made to the General County Fund on May 31, 2011 and June 15, 2011, as evidenced by receipt numbers 36358 and 36407 in the amount of \$120 and \$170, respectively. In addition, this practice has been discontinued.

Chancery Clerk.

Significant Deficiency – Material Weaknesses

10-3. Finding

During the audit related to cash, we noted that all receipts were not deposited timely in the operating account and the Chancery Clerk fee account. Generally accepted accounting principles and an effective internal control system over financial reporting requires that all deposits are deposited timely. The cause for this was not known. Untimely deposits could result in loss of public funds and inaccurate reporting.

Recommendation

We recommend that the Chancery Clerk ensures that all deposits are made timely.

Chancery Clerk's Response

I will comply to ensure that all deposits are made timely.

Inventory Control Clerk.

Significant Deficiency

10-4. Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. As reported in prior years' audit reports, capital asset control procedures were inadequate for maintaining adequate subsidiary records documenting the valuation of capital assets. The county did provide documentation for some of the county-owned land and buildings; however, documentation was not available on the dates of purchase and valuation for all of the county-owned land and buildings. We were unable to determine if values were recorded at historical cost or replacement cost for those items.

Recommendation

The Inventory Control Clerk should continue to ascertain the historical and/or estimated cost of land and buildings and the appropriate useful life of the assets.

Inventory Clerk's Response

The Inventory Control Clerk will ask the Board of Supervisor to employ an appraisal to determine the valuation for the county-owned land and buildings that do not have documentation on the dates of purchase and valuation.

Significant Deficiency – Material Weaknesses

10-5. Finding

The following were noted in relation to capital assets:

- a. All capital assets required to be reported were not included in the subsidiary records.
- b. All items that were approved for deletion were not deleted from the subsidiary records.
- c. Some capital assets were incorrectly recorded as to type.

d. Some completed leases were recorded incorrectly.

The cause for these issues is not known. An effective system of internal control over financial reporting requires subsidiary records to be properly updated and assets to be properly safeguarded. Failure to update the subsidiary records accurately results in the capital assets being misstated.

Recommendation

We recommend that the Inventory Control Clerk properly record capital assets in the subsidiary records.

Inventory Clerk's Response

I will properly record capital assets in the subsidiary records.

Sheriff

Significant Deficiency

10-6. Finding

An effective system of internal control over financial reporting should include properly recording, processing, and reporting all financial transactions. We noted an instance of a receipt not being properly posted to the docket. In addition, we noted an instance where a receipt could not be traced to a deposit in the bank. This appears to have been caused by human error. Improper recording and undeposited funds could result in misstatements in reporting on the financial statements.

Recommendation

The Sheriff should implement controls to ensure that all receipts are properly recorded and deposited.

Sheriff's Response

Deposit books have been ordered to assure in the future that receipts can be traced to a deposit in the bank. The secretary has been instructed to double check to make sure all receipts are being properly posted to the docket.

Justice Court Clerk.

Significant Deficiency

10-7. Finding

We noted that all receipts from the Sheriff's Office were not deposited timely. Generally accepted accounting principles and an effective internal control system over financial reporting requires that all deposits are deposited timely. The cause for this was not known. Untimely deposits could result in loss of public funds and inaccurate reporting.

Recommendation

We recommend that the Justice Court Clerk ensures that all deposits are made timely.

Justice Court 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 the federal awards.