

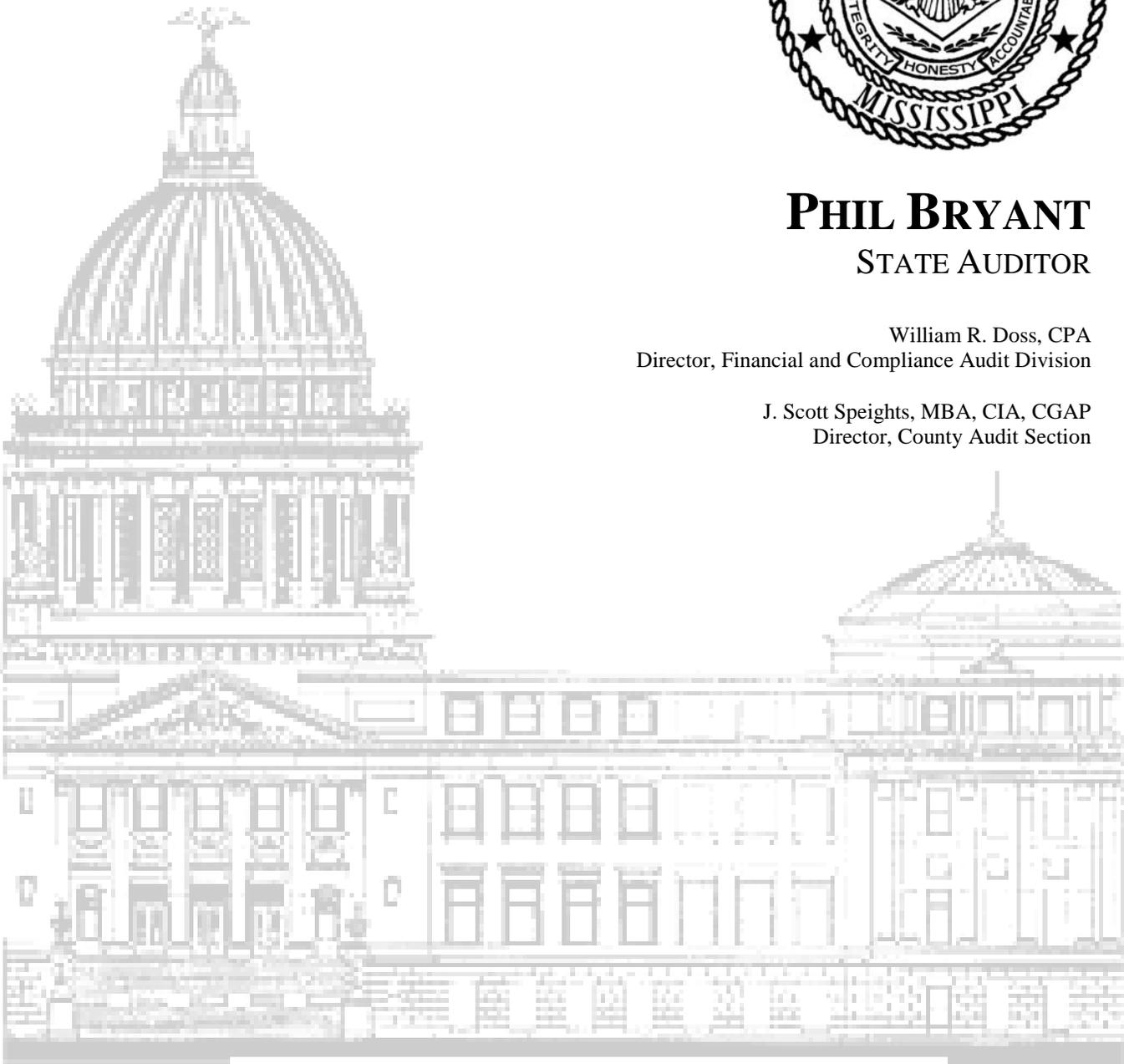
CLAIBORNE COUNTY, MISSISSIPPI
Audited Primary Government Financial Statements and Special Reports
For the Year Ended September 30, 2006



PHIL BRYANT
STATE AUDITOR

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

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Director, County Audit Section



A Report from the County Audit Section

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CLAIBORNE COUNTY

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CLAIBORNE COUNTY

FINANCIAL SECTION

CLAIBORNE COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT
ON
THE PRIMARY GOVERNMENT BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

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, 2006, which collectively comprise the county's primary government 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.

Except as discussed in the following paragraph, 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.

Management did not maintain adequate subsidiary records documenting the accounts receivable of solid waste user fees or the aging of these accounts receivable. Due to the nature of the county's records, we were unable to satisfy ourselves as to the fair presentation of accounts receivable, net, reported on the Statement of Net Assets and in the Other Governmental Funds at \$181,553, as of September 30, 2006. Also, because of the nature of the accounts receivable records, we could not satisfy ourselves as to the fair presentation of the related transactions of the Other Governmental Funds.

The financial statements referred to above include only the primary government of Claiborne County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Claiborne County, Mississippi, as of September 30, 2006, and the respective changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of such adjustments if any, as might have been determined to be necessary had we been able to examine evidence to determine the net realizable value of the solid waste accounts receivable for the Other Governmental Funds as described in the third paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate remaining fund information for the primary government of Claiborne County, Mississippi, as of September 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund for the primary government of Claiborne County, Mississippi, as of September 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2007, 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.

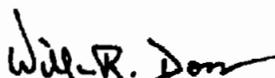
Claiborne County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

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

Our audit was conducted for the purpose of forming opinions on the primary government 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.



PHIL BRYANT
State Auditor



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

May 24, 2007

CLAIBORNE COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

CLAIBORNE COUNTY
Statement of Net Assets
September 30, 2006

Exhibit 1

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
ASSETS	
Cash	\$ 5,017,928
Accrued interest receivable	451
Property tax receivable	1,850,178
Accounts receivable (net of allowance for uncollectibles of \$487,448)	181,553
Fines receivable (net of allowance for uncollectibles of \$150,591)	314,222
Loans receivable (net of allowance for uncollectibles of \$125,000)	486,666
Deferred charge - issuance cost	43,783
Intergovernmental receivables	588,265
Other receivables	9,009
Capital assets:	
Land and construction in progress	1,201,244
Other capital assets, net	10,325,598
Total Assets	<u>20,018,897</u>
LIABILITIES	
Claims payable	537,183
Amounts held in custody for others	14,453
Intergovernmental payables	62,480
Accrued interest payable	37,370
Deferred revenue	1,850,178
Other payables	729
Long-term liabilities	
Due within one year:	
Capital debt	589,695
Non-capital debt	491,352
Due in more than one year:	
Capital debt	7,015,118
Non-capital debt	1,361,460
Total Liabilities	<u>11,960,018</u>
NET ASSETS	
Invested in capital assets, net of related debt	7,148,351
Restricted:	
Expendable:	
General government	23,714
Debt service	2,059
Public safety	362,779
Public works	402,247
Economic development	410,002
Unrestricted	(290,273)
Total Net Assets	<u>\$ 8,058,879</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, 2006

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Changes in Net Assets
					Primary Government
					Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 4,252,054	326,581	142,047	125,614	(3,657,812)
Public safety	2,659,713	102,727	360,797	112,247	(2,083,942)
Public works	3,183,785	110,560	1,245,300	122,635	(1,705,290)
Health and welfare	1,415,607		819,661		(470,946)
Culture and recreation	351,118			200,860	(150,258)
Education	492,381				(492,381)
Conservation of natural resources	155,117		249,666		94,549
Economic development and assistance	37,075		56,910	12,560	32,395
Interest on long-term debt	389,880				(389,880)
Total Governmental Activities	<u>\$ 12,936,730</u>	<u>539,868</u>	<u>2,874,381</u>	<u>573,916</u>	<u>(8,948,565)</u>
General revenues:					
Property taxes				\$	2,067,438
Road & bridge privilege					117,228
Grants and contributions not restricted to specific programs					4,859,716
Unrestricted interest income					118,011
Miscellaneous					237,954
Total General Revenues					<u>7,400,347</u>
Changes in Net Assets					<u>(1,548,218)</u>
Net Assets - Beginning					9,158,605
Prior period adjustment					448,492
Net Assets - Beginning, as restated					<u>9,607,097</u>
Net Assets - Ending				\$	<u>8,058,879</u>

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

CLAIBORNE COUNTY
Balance Sheet - Governmental Funds
September 30, 2006

Exhibit 3

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	General Obligation Bond Fund	Road Fund		
ASSETS					
Cash	\$ 982,524	3,259,902	32,645	742,857	5,017,928
Accrued interest receivable	138			313	451
Property tax receivable	1,245,519		109,659	495,000	1,850,178
Accounts receivable (net of allowance for uncollectibles of \$487,448)				181,553	181,553
Fines receivable (net of allowance for uncollectibles of \$200,340)	314,222				314,222
Loans receivable (net of allowance for uncollectibles of \$125,000)	76,666			410,000	486,666
Intergovernmental receivables	516,835		59,730	11,700	588,265
Other receivables	1,343			7,666	9,009
Due from other funds	200,592		13,995	39,712	254,299
Total Assets	\$ 3,337,839	3,259,902	216,029	1,888,801	8,702,571
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims payable	\$ 398,412	33,580	44,703	60,488	537,183
Amounts held in custody for others	14,453				14,453
Intergovernmental payables	57,250				57,250
Due to other funds	58,937		200,592		259,529
Deferred revenue	1,559,741		109,659	676,553	2,345,953
Other payables	729				729
Total Liabilities	2,089,522	33,580	354,954	737,041	3,215,097
Fund balances:					
Reserved for:					
Debt service				39,429	39,429
Loans receivable	76,666			410,000	486,666
Unreserved - undesignated, reported in:					
General Fund	1,171,651				1,171,651
Special Revenue Funds		3,226,322	(138,925)	702,331	3,789,728
Total Fund Balances	1,248,317	3,226,322	(138,925)	1,151,760	5,487,474
Total Liabilities and Fund Balances	\$ 3,337,839	3,259,902	216,029	1,888,801	8,702,571

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, 2006

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 5,487,474
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 \$6,596,683.	11,526,842
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	495,775
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(9,457,625)
Amortization of issuance cost on refunding bond issue.	43,783
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(37,370)</u>
Total Net Assets - Governmental Activities	<u>\$ 8,058,879</u>

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

CLAIBORNE COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2006

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	General Obligation Bond Fund	Road Fund		
REVENUES					
Property taxes	\$ 1,184,273		200,107	683,058	2,067,438
Road and bridge privilege taxes			117,228		117,228
Licenses, commissions and other revenue	170,068			2,545	172,613
Fines and forfeitures	113,849				113,849
Intergovernmental revenues	5,223,787		1,384,894	1,699,332	8,308,013
Charges for services	5,283			197,027	202,310
Interest income	37,107	78,429		2,475	118,011
Miscellaneous revenues	75,840	5,337	8,626	19,079	108,882
Total Revenues	<u>6,810,207</u>	<u>83,766</u>	<u>1,710,855</u>	<u>2,603,516</u>	<u>11,208,344</u>
EXPENDITURES					
Current:					
General government	3,743,990	864,076		5,281	4,613,347
Public safety	2,407,020	102,261		121,490	2,630,771
Public works		295,020	2,097,395	757,006	3,149,421
Health and welfare	642,433			772,849	1,415,282
Culture and recreation	348,338				348,338
Education				492,381	492,381
Conservation of natural resources	155,117				155,117
Economic development and assistance	12,481			24,594	37,075
Debt service:					
Principal	59,030		182,643	485,000	726,673
Interest	9,412		33,439	342,410	385,261
Bond issue costs		46,087			46,087
Total Expenditures	<u>7,377,821</u>	<u>1,307,444</u>	<u>2,313,477</u>	<u>3,001,011</u>	<u>13,999,753</u>
Excess of Revenues over (under) Expenditures	<u>(567,614)</u>	<u>(1,223,678)</u>	<u>(602,622)</u>	<u>(397,495)</u>	<u>(2,791,409)</u>
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued		4,450,000	234,104		4,684,104
Long-term non-capital debt issued	865,961		360,669	273,370	1,500,000
Proceeds from sale of capital assets	29,750		53,981		83,731
Compensation for loss of capital assets	95,660				95,660
Transfers in			32,644	59,446	92,090
Transfers out	(92,090)				(92,090)
Total Other Financing Sources and Uses	<u>899,281</u>	<u>4,450,000</u>	<u>681,398</u>	<u>332,816</u>	<u>6,363,495</u>
Net Changes in Fund Balances	331,667	3,226,322	78,776	(64,679)	3,572,086
Fund Balances - Beginning	<u>916,650</u>	<u>0</u>	<u>(217,701)</u>	<u>1,216,439</u>	<u>1,915,388</u>
Fund Balances - Ending	<u>\$ 1,248,317</u>	<u>3,226,322</u>	<u>(138,925)</u>	<u>1,151,760</u>	<u>5,487,474</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, 2006

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 3,572,086
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 \$828,021 exceeded depreciation of \$547,167 in the current period.	280,854
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 and compensation for loss of capital assets increases financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net gain of \$129,072 and compensation for loss of capital assets of \$95,660 and the proceeds from the sale of \$83,731 in the current period.	(50,319)
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.	50,989
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.	107
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 \$6,184,104 exceeded debt repayments of \$726,673.	(5,457,431)
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 increase in accrued interest payable	(4,619)
The amount of decrease in compensated absences	16,332
The amortization of issuance cost on bond	<u>43,783</u>
Change in Net Assets of Governmental Activities	\$ <u><u>(1,548,218)</u></u>

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

CLAIBORNE COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2006

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 136,733
Due from other funds	5,230
Total Assets	<u>\$ 141,963</u>
LIABILITIES	
Amounts held in custody for others	\$ 3,391
Intergovernmental payables	138,572
Total Liabilities	<u>\$ 141,963</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, 2006

(1) 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.

Management has chosen to omit from these financial statements the following component unit which has a significant operational or financial relationship with the county. Accordingly, the financial statements do not include the data of this component unit necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Claiborne County Hospital

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 Unit

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 and fund financial statements, which provide a detailed level of financial information.

Government-wide Financial Statements:

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

CLAIBORNE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2006

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

Fund Financial Statements:

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

D. Measurement Focus and Basis of Accounting.

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

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

The county reports the following major Governmental Funds:

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

General Obligation Bond Fund - This fund is used to account for monies from a bond issue to provide funds for repairing, improving and equipping buildings and for repairing and constructing roads.

Road Fund - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

CLAIBORNE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

FIDUCIARY FUND TYPE

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

E. Account Classifications.

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

F. Deposits and Investments.

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

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

G. Receivables.

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

H. Interfund Transactions and Balances.

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

CLAIBORNE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

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 those thresholds and estimated useful lives:

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

* Leased property capitalization policy 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. Issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, Governmental Fund Types recognize bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CLAIBORNE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

K. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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

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

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.

CLAIBORNE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

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. 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 Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
To correct error in prior year justice court fines receivable, net	\$ 216,187
To correct error in capital assets, net	<u>232,305</u>
Total prior period adjustments	<u>\$ 448,492</u>

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2006, was \$5,154,661, and the bank balance was \$5,470,244. 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.

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.

CLAIBORNE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2006:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Road	\$ 200,592
Road	General	13,995
Other Governmental Funds	General	39,712
Agency Funds	General	<u>5,230</u>
Total		<u>\$ 259,529</u>

The amount payable to the General Fund represents a loan for the payment of debt for the Road Fund. The amount payable by the General Fund represents an error in posting property tax during the year and tax revenue collected but not settled until October, 2006.

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Road Fund	General Fund	\$ 32,644
Other Governmental Funds	General Fund	<u>59,446</u>
Total		<u>\$ 92,090</u>

The principal purpose of interfund transfers was to distribute interest earnings to the proper funds. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2006, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tag credit	\$ 47,100
Community development block grants/state's program	11,700
Disaster grants - public assistance	89,826
WIA adult program	1,009
Homeland security grant program	9,411

CLAIBORNE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

Description	Amount
Local law enforcement block grant program	2,558
Watershed protection and flood prevention	249,666
Outdoor recreation - acquisition, development and planning	74,737
Promotion of the arts partnership agreements	1,422
Promotion of the humanities - federal/state partnership	3,476
Recreational trails program	97,360
Total Governmental Activities	\$ 588,265

(6) Loans Receivable.

Loans receivable balances at September 30, 2006, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Balance Payable
Hospital loan	07-06-01	0%	N/A	\$ 60,000
Hospital loan	07-11-01	0%	N/A	65,000
Port Gibson Apartments, LLC	03-13-01	Various	09-50	410,000
Hospital loan	03-09-04	0%	12-07	76,666
Total				611,666
Less: Allowance for doubtful accounts*				<u>125,000</u>
Total (Net of allowance for doubtful accounts)				\$ 486,666

* 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, 2006:

Governmental Activities:

	Balance Oct. 1, 2005	Additions	Deletions	Adjustments *	Balance Sept. 30, 2006
Non-depreciable capital assets:					
Land	\$ 1,068,551				1,068,551
Construction in progress		125,693		7,000	132,693
Total non-depreciable capital assets	<u>1,068,551</u>	<u>125,693</u>	<u>0</u>	<u>7,000</u>	<u>1,201,244</u>
Depreciable capital assets:					
Infrastructure	4,323,622			208,522	4,532,144
Buildings	5,976,590	114,480			6,091,070
Improvements other than buildings	2,855,319	204,876		21,600	3,081,795
Mobile equipment	2,140,962	48,620	93,436		2,096,146

CLAIBORNE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

	Balance Oct. 1, 2005	Additions	Deletions	Adjustments *	Balance Sept. 30, 2006
Furniture and equipment	251,424	100,248	47,515	9,395	313,552
Leased property under capital leases	707,934	234,104	134,464		807,574
Total depreciable capital assets	<u>16,255,851</u>	<u>702,328</u>	<u>275,415</u>	<u>239,517</u>	<u>16,922,281</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	86,473	90,643		4,170	181,286
Buildings	2,024,490	122,081			2,146,571
Improvements other than buildings	2,238,124	11,983			2,250,107
Mobile equipment	1,484,883	120,087	81,572		1,523,398
Furniture and equipment	168,305	44,063	42,763	10,042	179,647
Leased property under capital leases	258,125	158,310	100,761		315,674
Total accumulated depreciation	<u>6,260,400</u>	<u>547,167</u>	<u>225,096</u>	<u>14,212</u>	<u>6,596,683</u>
Total depreciable capital assets, net	<u>9,995,451</u>	<u>155,161</u>	<u>50,319</u>	<u>225,305</u>	<u>10,325,598</u>
Governmental activities capital assets, net	<u>\$ 11,064,002</u>	<u>280,854</u>	<u>50,319</u>	<u>232,305</u>	<u>11,526,842</u>

* These adjustments are to correct prior year errors.

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 119,212
Public safety	102,740
Public works	315,121
Culture and recreation	<u>10,094</u>
Total governmental activities depreciation expense	<u>\$ 547,167</u>

CLAIBORNE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

(8) Commitments.

Commitments with respect to unfinished capital projects at September 30, 2006, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Multi-purpose fitness trail	\$ 1,423	December 2006

Claiborne County participates in an interlocal agreement pertaining to a Multi-Jurisdictional Narcotics Enforcement Unit formed collectively with Holmes, Grenada, Humphreys and Leflore Counties and the municipalities of Itta Bena, Greenwood and Grenada known as the North Central Narcotics Task Force. The task force was formed as a joint effort to provide the maximum effectiveness and efficiency in the enforcement of the criminal laws of the state regarding controlled substances. Most of the funding will come from a federal grant, with the local entities contributing 25 percent. Claiborne County appropriated \$12,721 for support of the task force in fiscal year 2006.

(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 \$750,000 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, 2006, to January 1, 2007. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(10) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2006:

<u>Class of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 807,574
Less: Accumulated depreciation	<u>315,674</u>
Leased Property Under Capital Leases	<u>\$ 491,900</u>

CLAIBORNE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

The following is a schedule by years of the total payments due as of September 30, 2006:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 119,695	18,498
2008	97,665	14,574
2009	223,157	10,550
2010	87,998	3,372
2011	71,298	1,167
Total	<u>\$ 599,813</u>	<u>48,161</u>

(11) Short-term Debt and Liquidity.

The following is a summary of short-term debt activity for the year ended September 30, 2006:

<u>Description of Debt</u>	<u>Balance</u> <u>Oct. 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance</u> <u>Sept. 30, 2006</u>
Note	\$ 369,872		369,872		0
Note		697,000	697,000		0
Total	<u>\$ 369,872</u>	<u>697,000</u>	<u>1,066,872</u>	<u>0</u>	<u>0</u>

During the month of September, 2004, the county borrowed \$712,500 at 3.10% interest from a local banking institution to provide funding for the South Bald Hill Road Emergency Watershed Protection Program. The county extended the maturity date to December 15, 2005.

During the month of December, 2005, the county borrowed \$697,000 at 3.9% interest from a local banking institution to provide funding for the debris cleanup from Hurricane Katrina.

(12) Long-term Debt.

Debt outstanding as of September 30, 2006, consisted of the following:

<u>Description and Purpose</u>	<u>Amount</u> <u>Outstanding</u>	<u>Interest</u> <u>Rate</u>	<u>Final</u> <u>Maturity</u> <u>Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
General obligation refunding bonds - 1993B	\$ 1,020,000	5.20/5.40%	09-11
General obligation road and bridge - 2001	1,675,000	4.00/5.25%	06-16
General obligation bonds - 2005	4,310,000	3.875/5.00%	10-25
Total General Obligation Bonds	<u>\$ 7,005,000</u>		

CLAIBORNE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
B. Capital Leases:			
(2) Case 865 DPH motor graders	\$ 197,678	3.00%	05-09
(2) Massey Ferguson tractors with two Alamo mowers	10,891	2.78%	07-07
Daewoo 225 excavator	57,629	3.00%	08-09
(2) Massey Ferguson tractors with two Alamo mowers	42,422	2.78%	02-08
Daewoo mega 300v wheel loader	71,578	3.00%	10-09
Case 621 D wheel loader	103,961	3.88%	10-09
Case 1150 H crawler dozer	<u>115,654</u>	3.97%	02-11
Total Capital Leases	<u>\$ 599,813</u>		
C. Other Loans:			
State revolving loan fund	\$ 173,718	4.00%	01-13
Taxable negotiable note, Series 2006	<u>1,500,000</u>	6.40%	09-09
Total Other Loans	<u>\$ 1,673,718</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		Other Loans	
	Principal	Interest	Principal	Interest
2007	\$ 470,000	306,843	491,352	103,979
2008	485,000	282,510	525,391	72,707
2009	510,000	259,165	559,034	39,064
2010	540,000	234,313	28,343	3,446
2011	565,000	208,105	29,498	2,291
2012 - 2016	1,945,000	740,407	40,100	1,178
2017 - 2021	1,260,000	381,325		
2022 - 2026	<u>1,230,000</u>	<u>103,793</u>		
Total	<u>\$ 7,005,000</u>	<u>2,516,461</u>	<u>1,673,718</u>	<u>222,665</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2006, the amount of outstanding debt was equal to 12.41% of the latest property assessments.

CLAIBORNE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2006:

	Balance Oct. 1, 2005	Additions	Reductions	Adjustments	Balance Sept. 30, 2006	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 195,426		16,332		179,094	
General obligation bonds	3,040,000	4,450,000	485,000		7,005,000	470,000
Capital leases	582,265	234,104	216,556		599,813	119,695
Other loans	198,835	1,500,000	25,117		1,673,718	491,352
Total	\$ <u>4,016,526</u>	<u>6,184,104</u>	<u>743,005</u>	<u>0</u>	<u>9,457,625</u>	<u>1,081,047</u>

(13) Deficit Fund Balance of Individual Fund.

The following fund reported a deficit fund balance at September 30, 2006:

Fund	Deficit Amount
Road	\$ <u>138,925</u>

(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, 2006
Industrial revenue bonds	\$ <u>122,045,000</u>

CLAIBORNE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2006

(16) Joint Venture.

The county participates in the following joint venture:

Claiborne County 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 \$59,063 in fiscal year 2006. Complete financial statements for the Harriette Person Memorial Library can be obtained from P. O. Box 1017, Port Gibson, MS 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 \$260,930 for the maintenance and support of the college in fiscal year 2006.

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 2006.

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 \$14,926 for its support in fiscal year 2006.

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 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2006 was 11.30% 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, 2006, 2005 and 2004 were \$317,599, \$283,829 and \$260,125, respectively, equal to the required contributions for each year.

CLAIBORNE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

(19) Subsequent Events.

Subsequent to September 30, 2006, Claiborne County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
12/18/06	4.50%	\$ 400,000	Loan	In lieu taxes from Grand Gulf Nuclear Station
03/14/07	4.50%	3,320,000	Special obligation bonds	Ad valorem taxes
03/14/07	5.65/5.90%	3,380,000	Taxable special obligation bonds	Ad valorem taxes

CLAIBORNE COUNTY

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CLAIBORNE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

CLAIBORNE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,525,953	1,208,645	1,208,645	
Road and bridge privilege taxes		38,885	38,885	
Licenses, commissions and other revenue	127,350	178,537	178,537	
Fines and forfeitures	10,500	44,378	44,378	
Intergovernmental revenues	6,917,245	8,255,110	8,062,714	(192,396)
Charges for services	8,000		5,283	5,283
Interest income	9,000	140,152	125,377	(14,775)
Miscellaneous revenues	75,693	663	85,493	84,830
Total Revenues	<u>8,673,741</u>	<u>9,866,370</u>	<u>9,749,312</u>	<u>(117,058)</u>
EXPENDITURES				
Current:				
General government	5,999,942	6,536,479	6,536,479	
Public safety	1,851,524	2,388,639	2,388,639	
Health and welfare	679,442	979,161	979,161	
Culture and recreation	220,224	273,384	273,384	
Conservation of natural resources	113,266	89,195	89,195	
Economic development and assistance	5,000	12,481	12,481	
Total Expenditures	<u>8,869,398</u>	<u>10,279,339</u>	<u>10,279,339</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(195,657)</u>	<u>(412,969)</u>	<u>(530,027)</u>	<u>(117,058)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets			30,705	30,705
Transfer out			(180,427)	(180,427)
Other financing sources		984,226	865,961	(118,265)
Total Other Financing Sources and Uses	<u>0</u>	<u>984,226</u>	<u>716,239</u>	<u>(267,987)</u>
Net Change in Fund Balance	(195,657)	571,257	186,212	(385,045)
Fund Balances - Beginning	<u>195,657</u>	<u>631,106</u>	<u>631,364</u>	<u>258</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>1,202,363</u>	<u>817,576</u>	<u>(384,787)</u>

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)
 General Obligation Bond Fund
 For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$	51,616	51,616	
Miscellaneous revenues		5,337	5,337	
Total Revenues	<u>0</u>	<u>56,953</u>	<u>56,953</u>	<u>0</u>
EXPENDITURES				
Current:				
General government		876,583	876,583	
Public safety		102,261	102,261	
Public works		295,020	295,020	
Total Expenditures	<u>0</u>	<u>1,273,864</u>	<u>1,273,864</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>(1,216,911)</u>	<u>(1,216,911)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued		4,476,813	4,476,813	
Total Other Financing Sources and Uses	<u>0</u>	<u>4,476,813</u>	<u>4,476,813</u>	<u>0</u>
Net Change in Fund Balance	0	3,259,902	3,259,902	0
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>3,259,902</u>	<u>3,259,902</u>	<u>0</u>

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)
 Road Fund
 For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 189,372	200,494	200,494	
Road and bridge privilege taxes	110,000	24,581	24,581	
Licenses, commissions and other revenue		118,547	118,547	
Intergovernmental revenues	651,000	1,438,937	1,438,937	
Interest income		29,446	32,644	3,198
Miscellaneous revenues	4,000	7,758	7,758	
Total Revenues	<u>954,372</u>	<u>1,819,763</u>	<u>1,822,961</u>	<u>3,198</u>
EXPENDITURES				
Current:				
Public works	1,183,492	2,909,045	2,909,045	
Total Expenditures	<u>1,183,492</u>	<u>2,909,045</u>	<u>2,909,045</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(229,120)</u>	<u>(1,089,282)</u>	<u>(1,086,084)</u>	<u>3,198</u>
OTHER FINANCING SOURCES (USES)				
Long-term non-capital debt issued			1,057,669	1,057,669
Proceeds from sale of capital assets	8,000		54,849	54,849
Other financing sources		1,083,849		(1,083,849)
Total Other Financing Sources and Uses	<u>8,000</u>	<u>1,083,849</u>	<u>1,112,518</u>	<u>28,669</u>
Net Change in Fund Balance	(221,120)	(5,433)	26,434	31,867
Fund Balances - Beginning	<u>221,120</u>	<u>214</u>	<u>214</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>(5,219)</u>	<u>26,648</u>	<u>31,867</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, 2006

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

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types		
	General Fund	General Obligation Bond Fund	Road Fund
Budget (Cash Basis)	\$ 186,212	3,259,902	26,434
Increase (Decrease)			
Net adjustments for revenue accruals	387,598		(543,226)
Net adjustments for expenditure accruals	<u>(242,143)</u>	<u>(33,580)</u>	<u>595,568</u>
GAAP Basis	<u>\$ 331,667</u>	<u>3,226,322</u>	<u>78,776</u>

CLAIBORNE COUNTY

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CLAIBORNE COUNTY

SUPPLEMENTAL INFORMATION

CLAIBORNE COUNTY

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CLAIBORNE COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2006

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARDS			
U.S. Department of Health and Human Services Consolidated health centers (Note B)	93.224	6H80CS00482	\$ <u>772,849</u>
U.S. Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency Disaster grants - public assistance	97.036	1604-DR-MS	<u>591,877</u>
Total Expenditures of Major Federal Awards			<u>1,364,726</u>
OTHER FEDERAL AWARDS			
U.S. Department of Agriculture - Natural Resources Conservation Service Watershed protection and flood prevention	10.904	64-4423-6-1627	<u>249,666</u>
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Community development block grants/state's program	14.228	1120-03-011-PF-01	8,994
Community development block grants/state's program	14.228	1122-05-011-ED-01	<u>15,600</u>
Total U.S. Department of Housing and Urban Development			<u>24,594</u>
U.S. Department of the Interior - National Park Service/ Passed-through the Mississippi Department of Wildlife, Fisheries and Parks - Outdoor Recreation Division Outdoor recreation - acquisition, development and planning	15.916	28-00593	<u>103,500</u>
U.S. Department of Justice - Office of Justice Programs/ Passed-through the Mississippi Department of Public Safety - Edward Byrne Memorial formula grant program	16.579	02NC1113	16,707
Local law enforcement block grant program	16.592	05LB1111	<u>2,558</u>
Total U.S. Department of Justice			<u>19,265</u>
U.S. Department of Labor/Passed-through the Mississippi Department of Employment Security WIA adult program	17.258	W05-3-149-3-3133	30,015
WIA adult program	17.258	W06-3-149-3020	<u>4,914</u>
Total U.S. Department of Labor			<u>34,929</u>

CLAIBORNE COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2006

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation			
Highway planning and construction	20.205	N/A	9,680
Highway planning and construction	20.205	N/A	59,987
Passed-through the Mississippi Department of Wildlife, Fisheries and Parks			
Recreational trails program	20.219	28-RTP-0094	<u>98,783</u>
Total U.S. Department of Transportation			<u>168,450</u>
National Endowment for the Arts - National Foundation on the Arts and the Humanities/Passed-through the Mississippi Arts Commission			
Promotion of the arts partnership agreements	45.025	06-170-CD/PG	1,069
Promotion of the arts partnership agreements	45.025	07-130-CD/PG	3,500
Passed-through the Southern Arts Federation			
Promotion of the arts partnership agreements	45.025	N/A	2,187
National Endowment for the Humanities - National Foundation for the Arts and the Humanities/Passed-through the Mississippi Humanities Council			
Promotion of the humanities - federal/state partnership	45.129	MHC-RG05-05-053	<u>11,313</u>
Total National Endowment for the Arts			<u>18,069</u>
U.S. Election Assistance Commission/Passed-through the Mississippi Secretary of State			
Help America Vote Act requirements payments (Note C)	90.401	N/A	<u>77,950</u>
U.S. Department of Health and Human Services - Administration for Children and Families/Passed-through the Mississippi Secretary of State			
Voting access for individuals with disabilities - grants to states	93.617	N/A	<u>10,740</u>
U.S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency			
State domestic preparedness equipment support program	97.004	3SSGR-4022	67,000
Passed-through the Mississippi Department of Public Safety/ Office of Homeland Security			
State domestic preparedness equipment support program	97.004	04HS011	54,866
State domestic preparedness equipment support program	97.004	04LE011	20,450
Passed-through the Mississippi Emergency Management Agency			
Emergency management performance grants	97.042	5EMP	5,953
Emergency management performance grants	97.042	6EMP	7,500
Assistance to firefighters grant	97.044	EMW-2005-FG-06537	112,247

CLAIBORNE COUNTY
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2006

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
Passed-through the Mississippi Department of Public Safety/ Office of Homeland Security			
Homeland security grant program	97.067	05HS011	97,777
Homeland security grant program	97.067	05LE011	<u>9,411</u>
Total U.S. Department of Homeland Security			<u>375,204</u>
Total Expenditures of Other Federal Awards			<u>1,082,367</u>
Total Expenditures of Federal Awards			<u>\$ 2,447,093</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 \$772,849 to subrecipients during the year ended September 30, 2006.

Note C - Help America Vote Act requirements payments (CFDA #90.401)

Of the federal expenditures presented in this schedule, federal awards totaling \$77,950 represent non-cash awards for computerized voting machines during the fiscal year ended September 30, 2006.

CLAIBORNE COUNTY

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CLAIBORNE COUNTY

SPECIAL REPORTS

CLAIBORNE COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Claiborne County, Mississippi

We have audited the primary government 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, 2006, which collectively comprise the county's basic primary government financial statements and have issued our report thereon dated May 24, 2007. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component unit. Our report includes a qualified opinion on the aggregate remaining fund information because the county did not maintain adequate subsidiary records documenting the accounts receivable of the solid waste user fees or the aging of these accounts receivable. Except for the limitation related to the qualified opinion, 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Claiborne County, Mississippi's ability to initiate, record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06-1 through 06-6.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 06-1 to be a material weakness.

Compliance and Other Matters

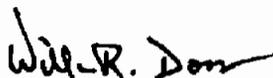
As part of obtaining reasonable assurance about whether Claiborne County, Mississippi's primary government financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which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

However, we noted certain instances of noncompliance which we have 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 May 24, 2007, included within this document.

This report is intended solely for the information and use of management 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.



PHIL BRYANT
State Auditor



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

May 24, 2007



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
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 are applicable to each of its major federal programs for the year ended September 30, 2006. 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 are applicable to each of its major federal programs for the year ended September 30, 2006.

Internal Control Over Compliance

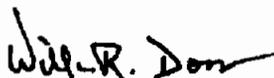
The management of Claiborne County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Claiborne County, Mississippi's internal control over compliance with 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management 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.



PHIL BRYANT
State Auditor



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

May 24, 2007



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Claiborne County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Claiborne County, Mississippi, as of and for the year ended September 30, 2006. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of Claiborne County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). The Board of Supervisors of 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 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:

Board of Supervisors/Former County Administrator.

1. Finding

Section 31-7-13(c), Miss. Code Ann. (1972), specifies that during the audited fiscal year, purchases involving an expenditure of more than \$15,000 may be made from the lowest and best bidder after advertising for competitive bids once each week for two consecutive weeks in a regular newspaper published in the county or municipality in which the governing authority is located. The County Administrator signed a lease-purchase agreement to purchase telephone equipment without advertising for bids.

Recommendation

The Board of Supervisors should ensure that any purchase in excess of amounts set out in state statute is advertised for bids as required by law.

Board of Supervisors' Response

The Board of Supervisors relied on its former Administrator to comply with the purchasing laws regarding its lease-purchase of the telephone equipment. The Administrator and the consultant hired by the Administrator to select the phone equipment purchased by the county did report to the Board of Supervisors that pursuant to their due diligence exercise, that they did receive competing proposals from three different vendors prior to selection of the phone system, and that they recommended for purchase the "lowest and best" equipment proposal.

In the future, the Board of Supervisors will ensure that such a process will be done pursuant to the advertisement and bid process.

2. Finding

Section 31-7-13(e), Miss. Code Ann. (1972), allows governing authorities to obtain lease-purchase financing from the vendor or from a third-party source after having solicited and obtained at least two competitive bids, as defined in Section 31-7-13(b), Miss. Code Ann. (1972). The County Administrator signed a lease-purchase financing agreement to buy telephone equipment without following the proper bidding process.

Recommendation

The Board of Supervisors should ensure that lease-purchase financing is obtained only after receiving at least two competitive written bids.

Board of Supervisors' Response

The Board of Supervisors relied on the former Administrator and the consultant he hired to negotiate the lease-purchase contract and to select the appropriate vendor. The Administrator informed the board that two such competitive bids were solicited and received. However, the bids were not reflected in the official minutes of the board, as a vote on the matter was not taken prior to the contract action.

The Board of Supervisors will ensure that future lease-purchase agreements will be done in compliance with the bid procedure and will be properly voted upon and actions thereto spread upon the official board minutes.

Inventory Control Clerk.

3. 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 not maintain documentation on the dates of purchase and valuation for some 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 establish adequate control procedures to ascertain the historical and/or estimated cost of land and buildings.

Inventory Control Clerk's Response

The Board of Supervisors has a contract with an appraisal. After the appraisal is completed, documentation will be submitted to ascertain the historical and/or estimated cost of land and buildings.

4. Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. The telephone system financed through a lease-purchase was not included in the county's inventory system.

Recommendation

The Inventory Control Clerk should ensure that all capital assets are reported in the county's inventory system.

Inventory Control Clerk's Response

The former Administrator and the consultant he hired did inventory the phone systems equipment and concluded that all purchased equipment was accounted for and that none was missing. They did not involve the Inventory Control Clerk in this significant inventory exercise.

The Board of Supervisors and the Inventory Control Clerk will, in the future, act to ensure that all capital assets are properly reported in the county's inventory system.

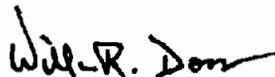
In our opinion, except for the noncompliance referred to in the preceding paragraph, Claiborne County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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

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



PHIL BRYANT
State Auditor



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

May 24, 2007

CLAIBORNE COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2006

Schedule I

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

CLAIBORNE COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2006

Schedule 2

Our test results did not identify any emergency purchases.

CLAIBORNE COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2006

Schedule 3

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



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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, 2006, 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 May 24, 2007, 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 areas that are opportunities for strengthening internal controls and operating efficiency. Our findings and recommendations and your responses are disclosed below:

Chancery Clerk.

1. Finding

Section 9-1-43(1), Miss. Code Ann. (1972), limits the compensation of the Chancery Clerk to \$90,000 after making deductions for employee salaries and related salary expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. All fees received in excess of this amount, less any allowable expenses, are to be deposited by the clerk into the county's General Fund on or before April 15th for the preceding calendar year. The clerk omitted \$150 in fees from the fee journal. Failure to properly account for these fees could result in the loss of public funds.

Recommendation

The Chancery Clerk should settle the \$150 to the county General Fund and should ensure that all fees are properly accounted for.

Chancery Clerk's Response

All fees are properly accounted for. This error occurred when the fees were deposited in the wrong bank account. The clerk regrets the error. I will transfer the funds and settle \$150.00 to the county General County Fund.

Auditor's Note

This was re-paid on June 8, 2007, as evidenced by receipt warrant #29918.

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 four years' audit reports, the bank statements were not reconciled to the cash journal and a subsidiary bond ledger was not maintained. Also, the cash journals were not properly posted. Failure to properly post the cash journals, 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 cash journals are properly posted, the bank statements are reconciled to the cash journal and that a subsidiary bond ledger is maintained.

Circuit Clerk's Response

I have hired a consultant accounting firm to handle the problems with the cash journals and to set up a subsidiary bond ledger that the office will maintain and the accounting firm will cross check for accuracy.

3. Finding

An effective system of internal control should include properly maintaining a fee journal and reconciling the bank statement to the fee journal. The fee journal was not properly posted and the bank statement was not reconciled to the fee journal. Failure to reconcile the bank statement to the fee journal could result in the loss of public funds.

Recommendation

The Circuit Clerk should ensure that the fee journal is properly posted and the bank statement is reconciled to the fee journal.

Circuit Clerk's Response

I will comply as instructed by the Department of Audit. I already have the software and the programmer/software support through Ms. Raquel R. Rose of Delta Computer Systems, Inc. I feel that with the Delta software, the findings for the fee journal will be properly posted and the bank statement will be reconciled and will be corrected.

Sheriff.

4. Finding

Section 45-5-9, Miss. Code Ann. (1972), requires Sheriff's deputies hired under this section to execute a bond for \$25,000 to be payable, conditioned and approved as provided by law. Section 25-1-15, Miss. Code Ann. (1972), requires a new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee. There were three deputies whose bonds were for an indefinite period of time. This would limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation

The Sheriff should ensure that each bond has a definite beginning and ending date, running concurrent with the term of the Board of Supervisors.

Sheriff's Response

Agree.

Justice Court Judges.

5. Finding

Section 9-11-11, Miss. Code Ann. (1972), states that it shall be the duty of the justice court to keep a uniform case record on each case, civil and criminal, brought before it and upon disposition, each record shall be signed by the Justice Court Judge. We noted that the Justice Court Judges were stamping blank case record forms with their signatures and giving them to the clerks to place in the case records after disposition of the cases. This practice could result in the Justice Court Judge's signature appearing on case records containing inaccurate information that may result in the loss of public funds.

Recommendation

The Justice Court Judges' signatures must be handwritten or imputed electronically by the Justice Court Judge on the case record after disposition of the case as allowed by Section 75-12-13, Miss. Code Ann. (1972).

Justice Court Judges' Response

I will comply.

Justice Court Clerk and Deputy Justice Court Clerks.

6. Finding

Section 9-11-29, Miss. Code Ann. (1972), requires the Justice Court Clerk and Deputy Court Clerk to execute a bond for \$50,000 to be payable, conditioned and approved as provided by law. Section 25-1-15, Miss. Code Ann. (1972), requires a new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee. The Justice Court Clerk and Deputy Justice Court Clerks were bonded for an indefinite time period. This limits the amount available for recovery if a loss occurred over multiple terms.

Recommendation

The Justice Court Clerk and Deputy Justice Court Clerks should ensure each bond has a definite beginning and ending date, running concurrent with the term of the Board of Supervisors.

Justice Court Clerk's Response

I will comply now that it is brought to my attention. The Chancery Clerk handles all bonds. I wasn't aware this has been a finding year after year on behalf of the Chancery Clerk or Board of Supervisors. I will check every year to see if the bonds are renewed.

Road Manager.

7. Finding

Section 65-17-1, Miss. Code Ann. (1972), requires the Road Manager to execute a bond with sufficient surety, to be payable, conditioned and approved as provided by law, in a penalty in such amount as may be approved by the Board of Supervisors, but not less than \$50,000. Section 25-1-15, Miss. Code Ann. (1972), requires a new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee. The Road Manager was bonded for an indefinite time period. This limits the amount available for recovery if a loss occurred over multiple terms.

Recommendation

The Road Manager should ensure that his bond has a definite beginning and ending date, running concurrent with the term of the Board of Supervisors.

Road Manager's Response

We have complied by signing a new bond. It was signed May 18, 2007, by me.

Assistant Receiving Clerk.

8. Finding

Section 31-7-124, Miss. Code Ann. (1972), requires each Assistant Receiving Clerk to execute a bond for \$10,000 to be payable, conditioned and approved as provided by law. Section 25-1-15, Miss. Code Ann. (1972), requires a new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee. The Assistant Receiving Clerk's bond was for an indefinite time period. This limits the amount available for recovery if a loss occurred over multiple terms.

Recommendation

The Assistant Receiving Clerk should ensure that their bond has a definite beginning and ending date, running concurrent with the term of the Board of Supervisors.

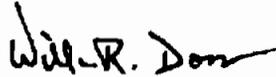
Assistant Receiving Clerk's Response

The bonding company has changed the time period of the Assistant Receiving Clerk's bond. The bond term has a definite beginning and ending date, running concurrent with the term of the Board of Supervisors. The Assistant Receiving Clerk has signed the bond.

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



PHIL BRYANT
State Auditor



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

May 24, 2007

CLAIBORNE COUNTY

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CLAIBORNE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CLAIBORNE COUNTY

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CLAIBORNE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2006

Section I: Summary of Auditor's Results

Financial Statements:

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

Governmental activities	Unqualified
General Fund	Unqualified
General Obligation Bond Fund	Unqualified
Road Fund	Unqualified
Aggregate remaining fund information	Qualified

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

 - b. Reportable conditions identified that are not considered to be material weaknesses? Yes

3. Noncompliance material to the primary government financial statements? No

Federal Awards:

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

 - b. Reportable condition 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 reported as required by Section __.510(a) of Circular A-133? No

7. Federal programs identified as major programs:
 - a. Consolidated health centers, CFDA #93.224
 - b. Disaster grants - public assistance, CFDA #97.036

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

CLAIBORNE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2006

Section 2: Financial Statement Findings

Board of Supervisors.

Reportable Condition - Material Weakness

06-1. Finding

An effective system of internal control over accounts receivable records should include adequate subsidiary records to substantiate the total accounts receivable balance. Management did not maintain adequate subsidiary records documenting the accounts receivable of the solid waste user fees and the aging of accounts receivables. Therefore, the Independent Auditors's report on the aggregate remaining fund information is qualified because we were not able to satisfy ourselves as to the fair presentation of the solid waste accounts receivable in the Other Governmental Funds.

Recommendation

The Board of Supervisors should establish procedures documenting the accounts receivable records and the aging of the solid waste fees.

Board of Supervisors' Response

The Board of Supervisors will establish procedures documenting the accounts receivable, the accounts receivable records and the aging of the solid waste fees.

Reportable Condition

06-2. Finding

An effective system of internal control should include the reconciliation of garbage fee collections posted in the solid waste records with the collections recorded in the general ledger and the reconciliation of the bank account to the solid waste records. As reported in the prior year's audit report, the garbage fee collections were not reconciled to the county's general ledger. Also, the solid waste records were not reconciled to the bank statements. Failure to reconcile accounting records could result in the loss of public funds.

Recommendation

The Board of Supervisors should establish and maintain procedures to ensure that solid waste records are reconciled to the bank statements and to the garbage fee collections recorded in the county's general ledger.

Board of Supervisors' Response

The Board of Supervisors will establish procedures to ensure that garbage fee collections shown on solid waste records are reconciled to the bank statements and to the garbage fee collections shown on the county's general ledger.

CLAIBORNE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2006

Board of Supervisors/Former County Administrator.

Reportable Condition

06-3. Finding

An effective system of internal control over debt should ensure that all debt issues are included in the debt records. Weak internal controls existed over capital debt for lease purchases. There was insufficient documentation to determine the interest rate and principal amount for the debt of the telephone system, financed with lease purchases. As a result of the lack of documentation, the telephone system lease purchase was not included in the county's capital debt records. This resulted in understating the capital debt of the county by approximately \$272,500.

Recommendation

The Board of Supervisors should ensure that all relevant documentation for debt issues is maintained and that all debt obligations are included in the debt records in the future.

Board of Supervisors' Response

The Board of Supervisors will, in the future, act to ensure that all capital debts additions are included in the capital debt records.

Inventory Control Clerk.

Reportable Condition

06-4. Finding

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 not maintain documentation on the dates of purchase and valuation for some 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 establish adequate control procedures to ascertain the historical and/or estimated cost of land and buildings.

Inventory Clerk's Response

The Board of Supervisors has a contract with an appraisal. After the appraisal is completed, documentation will be submitted to ascertain the historical and/or estimated cost of land and buildings.

Reportable Condition

06-5. Finding

An effective system of internal control over capital assets should ensure that all capital asset additions are included in the capital asset records. Weak internal controls existed over capital assets financed through lease purchases. There was insufficient documentation to determine the specific telephone equipment financed through lease purchases or the value of the equipment. As a result of the lack of documentation, the telephone equipment was not included in the county's capital asset records. This resulted in understating the capital assets by approximately \$272,500.

Recommendation

The Inventory Control Clerk should ensure that all capital asset additions are included in the capital asset records in the future.

Inventory Control Clerk's Response

The Board of Supervisors agrees that the documentation was indeed weak in the matter of the lease-purchase and inventory of the phone equipment. The Board and its Inventory Control Clerk will ensure, in the future, that all capital asset additions are included in the appropriate capital asset records.

Circuit Clerk.

Reportable Condition

06-6. Finding

An effective system of internal control should include a review of criminal cases to identify outstanding fines to be included in the fines receivable records. We noticed two cases with outstanding fines that were not included in the fines receivable records. The failure to review criminal cases to identify outstanding fines receivable and to ensure that these fines are included in the fines receivable records could cause the fines receivable records to be inaccurate.

Recommendation

The Circuit Clerk should review criminal cases to identify any outstanding fines and ensure these fines are included in the fines receivable records.

Circuit Clerk's Response

I will implement monthly review of criminal cases. I will also get the accounting firm to review accounts receivable as it relates to criminal cases to ensure the accuracy of the data.

Section 3: Federal Award Findings and Questioned Costs

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