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**Sharkey County, Mississippi**  
**Audited Financial Statements**  
**and Special Reports**  
**For the Year Ended**  
**September 30, 2012**

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**Sharkey County, Mississippi**  
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## Sharkey County Location in Mississippi



Sharkey County is located in the Mississippi Delta region of the United States state of Mississippi. As of 2010, the population was 4,916. Its county seat is Rolling Fork. It is named after William L. Sharkey, the provisional Governor of Mississippi in 1865. Sharkey County was formed in 1876.

FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Supervisors  
Sharkey County, Mississippi

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Sharkey County, Mississippi, as of and for the year ended September 30, 2012, which collectively comprise the county's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Sharkey - Issaquena Community Hospital or Sharkey - Issaquena County Library, component units, which represents 94 percent, 94 percent and 99 percent, and 6 percent, 6 percent and 1 percent, respectively, of the assets, net assets and revenues of the proprietary component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component units, is based on the reports of the other auditors.

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. However, the financial statements of Sharkey - Issaquena Community Hospital, component unit, audited by other auditors were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we express no such opinion. 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 and the reports of other auditors provides a reasonable basis for our opinions.

The Sharkey - Issaquena County Library was unable to produce a detail fixed asset inventory for all assets. As a result, the other auditors were unable to apply sufficient audit procedures as to the accuracy and completion of the capital assets. They were unable to calculate accumulated depreciation on these assets as well.

In our opinion, based on our audit and the reports of other auditors, except for the effects of the inadequacy of the accounting records surrounding capital assets for the Sharkey - Issaquena County Library, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely

presented component units, each major fund and the aggregate remaining fund information of Sharkey County, Mississippi, as of September 30, 2012, and the respective changes in financial position, there of 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 June 26, 2013, on our consideration of Sharkey County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedules and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sharkey County, Mississippi's basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is also presented for purposes of additional analysis and is not a required part of the basic financial statements. The Reconciliation of Operating Costs of Solid Wastes is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of other auditors, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
June 26, 2013

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Sharkey County, Mississippi**  
Management's Discussion and Analysis  
For the Year Ended September 30, 2012

**INTRODUCTION**

The following discussion and analysis of Sharkey County, Mississippi's financial performance provides an overview of the County's financial activities for the year ended September 30, 2012. The intent of this discussion and analysis is to look at the County's performance as a whole. Readers are encourage to review the financial statements and the notes to the financial statements to enhance their understanding of the County's financial performance.

**FINANCIAL HIGHLIGHTS**

- Total net assets for 2012 decreased \$287,675, which represents a 3% decrease from 2011, including a prior period adjustment of \$22,444. Total net assets for 2011 increased \$3,032,091, which represents a 37% increase from 2010, including a prior period adjustment of \$1,737,295.
- The County had \$4,717,082 in total revenues for 2012. Tax revenues account for \$2,738,859 or 58% of total revenues for 2012. Charges for services account for \$948,601 or 20% for 2012. The County had \$4,715,706 in total revenues for 2011. Tax revenues account for \$2,634,171 or 56% of total revenues for 2011. Charges for services account for \$530,584 or 11% for 2011.
- The County had \$5,027,201 in total expenses for 2012. Expenses in the amount of \$1,143,933 were offset by charges for services, grants, or outside contributions. General revenues of \$3,573,149 were not adequate to provide for the remainder of the expenses. For 2011, the County had \$3,420,910 in total expenses. Expenses in the amount of \$1,558,785 were offset by charges for services, grants, or outside contributions. General revenues in the amount of \$3,156,921 were adequate to provide for the remainder of the expenses.
- The General Fund had \$2,408,488 in revenues and \$2,312,008 in expenditures. The General Fund's fund balance increased \$96,480 over the prior year. Last year's revenues were \$2,285,886 while expenditures were \$2,338,513.
- Among major funds, the Garbage & Solid Waste Fund had \$417,828 in revenues and \$617,019 in expenditures. The Garbage & Solid Waste Fund's fund balance decreased \$21,310 from 2011. In 2011, the Garbage & Solid Waste Fund was not a major fund and as such the information was combined and presented under the other governmental funds column of the 2011 audit report.
- Long-term debt increased by \$281,494 mainly due to the inception of capital leases and the issuance of loans during the year. In 2011, long-term debt decreased by \$269,456 mainly due to principal payments made during the year.

**Sharkey County, Mississippi**  
Management's Discussion and Analysis  
For the Year Ended September 30, 2012

***OVERVIEW OF THE FINANCIAL STATEMENTS***

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

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

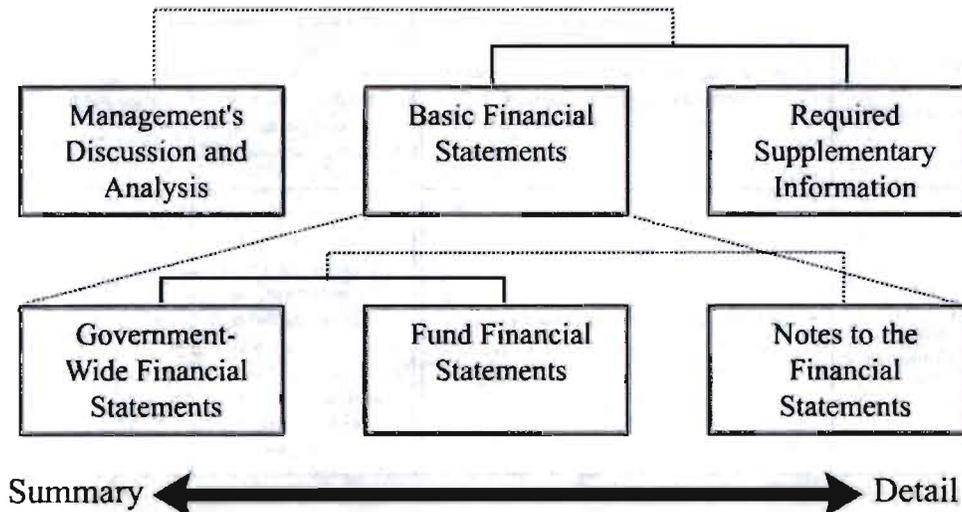


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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

The next page also shows the Major Features of the County's Government-Wide and Fund Financial Statements

	Government-Wide Financial Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds)	All activities of the County that are not business-type or fiduciary in nature	The County is the trustee or agent for someone else's resources
Required Financial Statements	* Statement of Net Assets * Statement of Activities	* Balance Sheet  * Statement of Revenues, Expenditures and Changes in Fund Balances	* Statement of Fiduciary Assets and Liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, liabilities, both financial and capital and short and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets, liabilities, both short and long term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	N/A

**Sharkey County, Mississippi**  
Management's Discussion and Analysis  
For the Year Ended September 30, 2012

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances. These statements consist of the Statement of Net Assets and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the County that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the County include general government, public safety, public works, health and welfare, culture and recreation, conservation of natural resources, economic development and interest on long-term debt.

The County has two (2) component units reported in the Sharkey County's report as follows:

**Sharkey - Issaquena Community Hospital**

**Sharkey - Issaquena Library**

**Fund Financial Statements**

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

**Sharkey County, Mississippi**  
Management's Discussion and Analysis  
For the Year Ended September 30, 2012

**Governmental funds** - Most of the County's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the County's near term financing requirements.

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

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

**Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. These funds are reported using the accrual basis of accounting. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

### **Reconciliation of Government-wide and Fund Financial Statements**

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

**Sharkey County, Mississippi**  
Management's Discussion and Analysis  
For the Year Ended September 30, 2012

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Bond and notes proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

**Required Supplemental Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplemental information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

**Supplemental Information**

Additionally, a Reconciliation of Operating Costs of Solid Waste can be found in this report.

**Sharkey County, Mississippi**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2012**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Assets**

Net assets may server over time as a useful indicator of government's financial position. In the case of Sharkey County, assets exceeded liabilities by \$10,969,507 as of September 30, 2012.

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

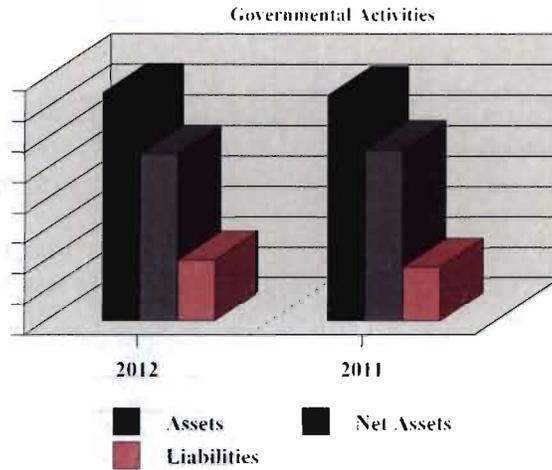
Table I presents a summary of the County's net assets for the governmental activities at September 30, 2012 and September 30, 2011.

	<u>September 30, 2012</u>	<u>September 30, 2011</u>
Assets:		
Current assets	\$ 4,052,266	4,061,399
Capital assets, net	10,921,181	10,747,302
Total Assets	<u>14,973,447</u>	<u>14,808,701</u>
Liabilities:		
Current liabilities	3,020,665	2,849,738
Long-term debt outstanding	983,275	701,781
Total Liabilities	<u>4,003,940</u>	<u>3,551,519</u>
Net Assets:		
Invested in capital assets, net of related debt	9,937,906	10,045,521
Restricted assets	530,330	783,707
Unrestricted	501,271	427,954
Total Net Assets	<u>\$ 10,969,507</u>	<u>11,257,182</u>

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- \$297,630 of long-term debt was retired during the year in the governmental activities.
- Capital assets, net of accumulated depreciation, increased by \$173,879 primarily due to additions to leased property under capital leases.

**Sharkey County, Mississippi**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2012**



**Changes in Net Assets**

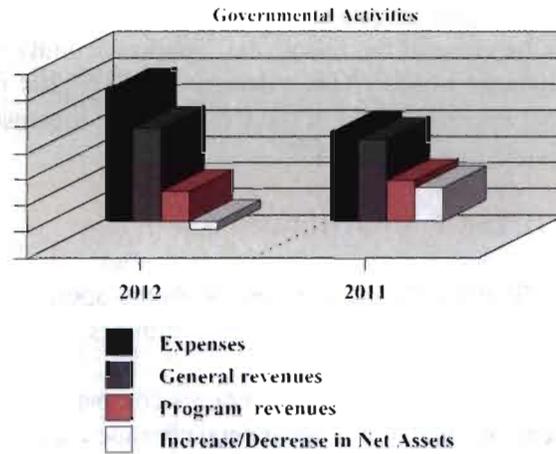
Sharkey County's total revenues for the fiscal year ended September 30, 2012 were \$4,717,082 and \$4,715,706 for 2011. The total cost of all services provided was \$5,027,201 for 2012 and \$3,420,910 for 2011 and the decrease in net assets was \$287,675 for 2012, including a prior period adjustment of \$22,444. The increase in net assets was \$3,032,091 for 2011, including a prior period adjustment of \$1,737,295.

The following table presents a summary of the changes in net assets for the governmental activities for the fiscal years ended September 30, 2012 and September 30, 2011.

**Sharkey County, Mississippi**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2012**

	Fiscal Year Ended 09/30/12	Fiscal Year Ended 09/30/11
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 948,601	530,584
Operating grants & contributions	162,348	574,120
Capital grants & contributions	32,984	454,081
General revenues:		
Taxes	2,738,859	2,634,171
Grants and contributions	458,760	185,508
Unrestricted interest income	20,573	22,862
Other	354,957	314,380
Total Revenues	\$ <u>4,717,082</u>	<u>4,715,706</u>
<b>Expenses:</b>		
General government	1,376,636	1,445,991
Public safety	736,221	663,343
Public works	2,246,128	679,006
Health & welfare	416,657	393,089
Culture & recreation	78,354	68,881
Conservation of natural resources	47,267	139,840
Economic development and assistance		
Interest on long-term debt	125,938	30,760
Total Expenses	<u>5,027,201</u>	<u>3,420,910</u>
Increase/ (Decrease) in Net Assets	(310,119)	1,294,796
Net Assets - Beginning, as originally reported	11,257,182	8,225,091
Prior Period Adjustment	22,444	1,737,295
Net Assets - Beginning, as restated	<u>11,279,626</u>	<u>9,962,386</u>
Net Assets - Ending	\$ <u><u>10,969,507</u></u>	<u><u>11,257,182</u></u>

**Sharkey County, Mississippi**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2012**



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

	2012 Total Cost	2012 Net Cost	2011 Total Cost	2011 Net Cost
<b>Governmental Activities:</b>				
General government	\$ 1,376,636	(819,831)	1,445,991	(991,272)
Public safety	736,221	(647,021)	663,343	(196,878)
Public works	2,246,128	(1,899,218)	679,006	(532,899)
Health and welfare	416,657	(397,506)	393,089	(364,696)
Culture and recreation	78,354	(73,207)	68,881	291,760
Conservation of natural resources	47,267	(1,338)	139,840	(133,310)
Economic development and assistance		80,791		95,930
Interest on long term debt	125,938	(125,938)	30,760	(30,760)
<b>Total Expenses</b>	<b>\$ 5,027,201</b>	<b>(3,883,268)</b>	<b>3,420,910</b>	<b>(1,862,125)</b>

**Sharkey County, Mississippi**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2012**

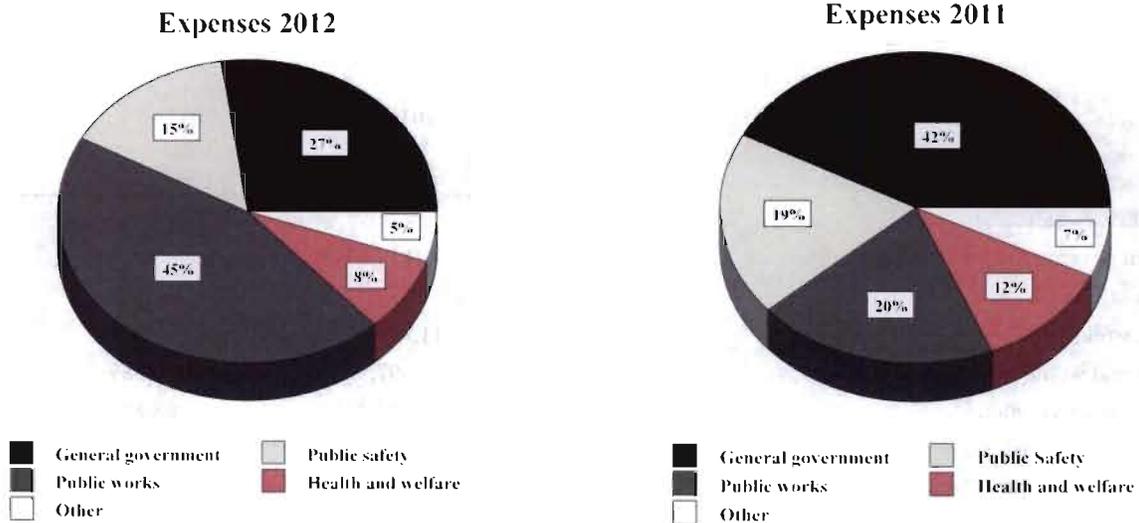
**FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

**Governmental funds** – At the close of the fiscal year, Sharkey County's governmental funds reported a combined fund balance of \$859,166, a decrease of \$167,204 from the prior year. The General Fund is the principal operating fund of the County. The increase in the fund balance of the General Fund for the fiscal year was \$96,480.

**BUDGETARY HIGHLIGHTS OF MAJOR FUNDS**

Over the course of the year, Sharkey County revised its annual operating budget on several occasions. Budgeted revenues were increased as better estimates became available.

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



**Sharkey County, Mississippi**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2012**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Governmental Activities:**

Capital Assets - As of September 30, 2012, Sharkey County's total net capital assets were \$25,602,443. This includes land, infrastructure, buildings, mobile equipment, furniture and equipment, and leased property under capital leases. This amount represents an increase from the previous year of \$301,350. The majority of this increase is attributable to additions to leased property under capital leases. Total accumulated depreciation as of September 30, 2012 was \$14,681,262, including \$287,331 of depreciation expense for the year.

	<u>September 30, 2012</u>	<u>September 30 2011</u>	<u>Change</u>
Land	\$ 90,871	90,871	0.00%
Infrastructure	21,426,125	21,426,125	0.00%
Buildings	1,467,952	1,467,952	0.00%
Mobile equipment	1,358,560	1,399,000	-2.89%
Furniture and equipment	86,375	86,375	0.00%
Leased property under capital leases	1,172,560	830,770	41.14%
Accumulated depreciation	(14,681,262)	(14,553,791)	0.88%
Total Capital Assets, net	<u>\$ 10,921,181</u>	<u>10,747,302</u>	1.62%

**Governmental Activities:**

**Debt Administration** – At September 30, 2012, Sharkey County had \$983,275 in long-term debt outstanding. This includes obligations under capital leases, and other loans. Of this debt, \$175,330 is due within one year.

	<u>September 30, 2012</u>	<u>September 30, 2011</u>	<u>Change</u>
Capital leases payable	\$ 916,210	617,446	48%
Other loans	67,065	84,335	-20%
Total Long-Term Debt	<u>\$ 983,275</u>	<u>701,781</u>	40%

The county did not maintain records that will allow the calculation of the compensated absences liability at the end of the year.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the Sharkey County Chancery Clerk's office at the following number: 662-873-2755 or by mail at Post Office Box 218, Rolling Fork, Mississippi 39159-0218.

FINANCIAL STATEMENTS

**SHARKEY COUNTY, MISSISSIPPI**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2012**

	Primary Government Governmental Activities	Component Units
<b>Assets:</b>		
<i>Cash and investments</i>	\$ 1,372,848	5,809,195
<i>Property tax receivable</i>	2,468,600	--
<i>Accounts receivable, net</i>	91,252	1,201,186
<i>Fines receivables, net</i>	81,183	--
<i>Loans receivable</i>	3,390	--
<i>Intergovernmental receivable</i>	23,949	--
<i>Other receivables</i>	11,044	33,098
<i>Prepaid items</i>	--	97,521
<i>Inventories</i>	--	132,136
<i>Restricted assets</i>	--	1,170
<b>Capital Assets</b>		
<i>Land and construction in progress</i>	90,871	--
<i>Other capital assets, net</i>	10,830,310	2,033,786
<b>Total Assets</b>	<u>14,973,447</u>	<u>9,308,092</u>
<b>Liabilities:</b>		
<i>Claims payable</i>	486,075	1,043,563
<i>Amounts held in custody for others</i>	10,379	--
<i>Intergovernmental payables</i>	54,048	--
<i>Accrued interest payable</i>	--	2,071
<i>Deferred revenue</i>	2,468,600	--
<i>Other payables</i>	--	49,000
<i>Due to other governments</i>	1,563	--
<b>Long term liabilities</b>		
<i>Due within one year:</i>		
<i>Capital debt</i>	175,330	112,573
<i>Non-capital debt</i>	--	1,569
<i>Due in more than one year:</i>		
<i>Capital debt</i>	807,945	145,631
<b>Total Liabilities</b>	<u>4,003,940</u>	<u>1,354,407</u>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	9,937,906	1,775,582
Restricted For:		
Public works	341,246	--
Public safety	93,571	--
Debt service	6,104	--
Health and welfare	49,088	--
Culture and recreation	40,321	--
Other purposes	--	46,233
Unrestricted	501,271	6,131,870
<b>Total Net Assets</b>	<u>\$ 10,969,507</u>	<u>7,953,685</u>

The accompanying notes are an integral part of this statement.

**SHARKEY COUNTY, MISSISSIPPI**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Changes in	Revenue and Net Assets
		Charges for Services	Operating Grants and Contributions		
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
General government	\$ 1,376,636	\$ 549,805	\$ 7,000	\$ --	\$ (819,831)
Public safety	736,221	51,886	18,914	18,400	(647,021)
Public works	2,246,128	346,910	--	--	(1,899,218)
Health and welfare	416,657	--	19,151	--	(397,506)
Culture and recreation	78,354	--	5,147	--	(73,207)
Conservation of natural resources	47,267	--	31,345	14,584	(1,338)
Economic development and assistance	--	--	80,791	--	80,791
Interest on long term debt	125,938	--	--	--	(125,938)
<b>Total Primary Government</b>	<b>\$ 5,027,201</b>	<b>\$ 948,601</b>	<b>\$ 162,348</b>	<b>\$ 32,984</b>	<b>(3,883,268)</b>
<b>Component Units:</b>					
Sharkey-Issaquena Community Hospital	\$ 8,629,754	\$ 9,593,064	\$ --	\$ 41,638	\$ 1,004,948
Sharkey-Issaquena Library	167,491	6,435	80,158	--	(80,898)
<b>Total Component Units</b>	<b>\$ 8,797,245</b>	<b>\$ 9,599,499</b>	<b>\$ 80,158</b>	<b>\$ 41,638</b>	<b>924,050</b>
<b>General Revenues:</b>					
Property taxes				2,688,305	--
Road and bridge privilege taxes				50,554	--
Grants and Contributions Not Restricted to specific programs				458,760	30,951
Unrestricted interest income				20,573	31,960
Miscellaneous				354,957	112,459
<b>Total General Revenues and Transfers</b>				<b>3,573,149</b>	<b>175,370</b>
Change in Net Assets				(310,119)	1,099,420
Net Assets - Beginning, as originally presented				11,257,182	6,854,265
Prior Period Adjustment				22,444	--
Net Assets - Beginning, as restated				11,279,626	6,854,265
Net Assets - Ending				<b>\$ 10,969,507</b>	<b>\$ 7,953,685</b>

The accompanying notes are an integral part of this statement.

**SHARKEY COUNTY, MISSISSIPPI**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2012**

	<u>General Fund</u>	<u>Garbage &amp; Solid Waste Fund</u>
<b>Assets:</b>		
Cash and investments	\$ 525,769	\$ 35,641
Property tax receivable	1,743,146	140,000
Accounts receivable, net	--	91,252
Fines receivable, net	81,183	--
Loans receivable	--	--
Intergovernmental receivables	23,949	--
Other receivables	6,315	--
Due from other funds	--	1,760
Advances to other funds	39,512	--
Total Assets	<u>\$ 2,419,874</u>	<u>\$ 268,653</u>
<b>Liabilities and Fund Balances:</b>		
<b>Liabilities:</b>		
Claims payable	\$ 148,855	\$ 22,862
Amounts held in custody for others	10,379	--
Intergovernmental payables	54,048	--
Due to other funds	14,653	--
Advances from other funds	28,467	4,839
Deferred revenue	1,824,329	231,252
Total Liabilities	<u>2,080,731</u>	<u>258,953</u>
<b>Fund Balances:</b>		
<b>Nonspendable:</b>		
Advances	39,512	--
Loans	--	--
<b>Restricted:</b>		
Debt service	--	--
Other purposes	--	--
<b>Committed:</b>		
Emergencies	--	--
County ambulance	--	--
Garbage & sold waste	--	9,700
General road	--	--
Library	--	--
Special levy	--	--
Other purposes	--	--
<b>Assigned:</b>		
General Road	--	--
Other purposes	--	--
<b>Unassigned</b>	<b>299,631</b>	<b>--</b>
Total Fund Balances	<u>339,143</u>	<u>9,700</u>
<b>Total Liabilities and Fund Balances</b>	<u><b>\$ 2,419,874</b></u>	<u><b>\$ 268,653</b></u>

EXHIBIT 3

District 1 Road Maintenance Fund	Other Governmental Funds	Total Governmental Funds
\$ 94,410	\$ 717,028	\$ 1,372,848
30,000	555,454	2,468,600
--	--	91,252
--	--	81,183
--	3,390	3,390
--	--	23,949
--	--	6,315
919	10,411	13,090
2,390	70,806	112,708
<u>\$ 127,719</u>	<u>\$ 1,357,089</u>	<u>\$ 4,173,335</u>
\$ 28,154	\$ 286,204	\$ 486,075
--	--	10,379
--	--	54,048
--	--	14,653
944	73,729	107,979
30,000	555,454	2,641,035
<u>59,098</u>	<u>915,387</u>	<u>3,314,160</u>
2,390	70,806	112,708
--	3,390	3,390
--	6,104	6,104
--	22,255	22,255
--	90,279	90,279
--	48,942	48,942
--	--	9,700
--	25,385	25,385
--	26,156	26,156
--	14,005	14,005
--	3,063	3,063
66,231	155,255	221,486
--	374	374
--	(24,312)	275,319
<u>68,621</u>	<u>441,702</u>	<u>859,166</u>
<u>\$ 127,719</u>	<u>\$ 1,357,089</u>	<u>\$ 4,173,335</u>

**SHARKEY COUNTY, MISSISSIPPI**  
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
 SEPTEMBER 30, 2012*

Total fund balances - governmental funds balance sheet	\$ 859,166
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	10,921,181
Liabilities due in one year are not recognized in the funds.	(175,330)
Payables for capital leases which are not due in the current period are not reported in the funds.	(762,370)
Other long-term liabilities not due and payable in the current period are not reported in the funds.	(45,575)
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	172,435
	<hr/>
Net assets of governmental activities - Statement of Net Assets	<u>\$ 10,969,507</u>

The accompanying notes are an integral part of this statement.

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**SHARKEY COUNTY, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	General Fund	Garbage & Solid Waste Fund
<b>Revenues:</b>		
Property taxes	\$ 1,819,940	\$ 151,749
Road and bridge privilege taxes	549	--
Licenses, commissions and other revenues	73,431	--
Fines and forfeitures	76,789	--
Intergovernmental revenues	305,682	53,965
Charges for services	1,120	194,594
Interest income	19,326	98
Miscellaneous revenues	111,651	17,422
<b>Total Revenues</b>	<b>2,408,488</b>	<b>417,828</b>
<b>Expenditures:</b>		
General government	1,308,730	--
Public safety	662,226	--
Public works	--	547,423
Health and welfare	258,269	--
Culture and recreation	21,273	--
Conservation of natural resources	39,481	--
Economic development and assistance	2,266	--
<b>Debt service:</b>		
Principal	19,278	65,662
Interest	485	3,934
Other	--	--
<b>Total Expenditures</b>	<b>2,312,008</b>	<b>617,019</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>96,480</b>	<b>(199,191)</b>
<b>Other financing sources (uses):</b>		
Proceeds from long-term debt issued	--	175,200
Transfers in	--	2,681
Transfers out	--	--
<b>Total Other Financing Sources (Uses)</b>	<b>--</b>	<b>177,881</b>
<b>Net Changes in Fund Balances</b>	<b>96,480</b>	<b>(21,310)</b>
<b>Fund balances</b>		
Beginning of year	242,663	31,010
End of year	<b>\$ 339,143</b>	<b>\$ 9,700</b>

The accompanying notes are an integral part of this statement.

District 1 Road MAINTENANCE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 29,672	\$ 686,944	\$ 2,688,305
--	--	549
10,001	42,538	125,970
8,500	7,000	92,289
96,631	639,208	1,095,486
97,225	58,870	351,809
133	1,016	20,573
139,040	86,844	354,957
<u>381,202</u>	<u>1,522,420</u>	<u>4,729,938</u>
--	65,636	1,374,366
--	64,911	727,137
498,102	1,393,142	2,438,667
--	153,324	411,593
--	54,839	76,112
--	--	39,481
--	5,520	7,786
105,009	107,681	297,630
19,385	15,466	39,270
--	86,668	86,668
<u>622,496</u>	<u>1,947,187</u>	<u>5,498,710</u>
(241,294)	(424,767)	(768,772)
243,600	182,768	601,568
30,000	120,781	153,462
--	(153,462)	(153,462)
<u>273,600</u>	<u>150,087</u>	<u>601,568</u>
32,306	(274,680)	(167,204)
36,315	716,382	1,026,370
<u>\$ 68,621</u>	<u>\$ 441,702</u>	<u>\$ 859,166</u>

SHARKEY COUNTY, MISSISSIPPI  
 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, 2012

Net change in fund balances - total governmental funds	\$ (167,204)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	584,568
The depreciation of capital assets used in governmental activities is not reported in the funds.	(287,331)
Trade-in or disposal of capital assets decrease net assets in the SOA but not in the funds.	(123,358)
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	200,360
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	97,270
Certain fine revenues are deferred in the funds. This is the change in these amounts this year.	(12,856)
Proceeds of long-term debt is recognized as other financial resources in the funds but not in SOA.	<u>(601,568)</u>
'Change in net assets of governmental activities - Statement of Activities	<u>\$ (310,119)</u>

The accompanying notes are an integral part of this statement.

**SHARKEY COUNTY, MISSISSIPPI**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS**  
**SEPTEMBER 30, 2012**

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash	\$ 109,418
Due from other funds	1,563
<b>Total Assets</b>	<u>\$ 110,981</u>
<b>LIABILITIES:</b>	
Amounts held in custody for others	\$ 25,592
Intergovernmental payables	80,660
Advance from other funds	4,729
<b>Total Liabilities</b>	<u>\$ 110,981</u>

The accompanying notes are an integral part of this statement.

**Sharkey County, Mississippi**  
Notes to the Financial Statements  
for the year ended September 30, 2012

## Sharkey County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2012

### (1) Summary of Significant Accounting Policies

#### A. Financial Reporting Entity

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

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

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

#### B. Individual Component Unit Disclosure

##### Discretely Presented Component Units

The component unit columns in the financial statements include the financial data of the following component units of the county. They are reported in a separate column to emphasize that they are legally separate from the county.

- Sharkey - Issaquena Community Hospital
- Sharkey - Issaquena County Library

#### C. Basis of Presentation

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

## Sharkey County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2012

### Government-wide Financial Statements:

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

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 assets 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.

## Sharkey County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2012

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 judgements, 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 and report all financial resources not accounted for and reported in another fund.

Garbage & Solid Waste Fund - This fund is used to account for the county's activities of disposal of solid waste within the county.

District 1 Road Maintenance Fund - This fund is used to account for monies from specific revenue resources that are restricted for road maintenance in district #1.

Additionally, the county reports the following fund types:

### GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

## Sharkey County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2012

### 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." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

**Sharkey County, Mississippi**

Notes to the Financial Statements  
For the year ended September 30, 2012

I. Restricted Assets

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

J. Capital Assets

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the (applicable) governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair 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.

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:

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

## Sharkey County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2012

- \* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

### K. Long-term Liabilities

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

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

### L. Equity Classifications

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the county.

## Sharkey County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2012

*Nonspendable fund balance* includes items that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed, or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

*Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the Board of Supervisors, the county's highest level of decision making authority. This formal action in an order of the Board of Supervisors as approved in the board minutes.

*Assigned fund balance* includes amounts that are constrained by the county's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the County Administrator pursuant to authorization established by the policy adopted by the county.

*Unassigned fund balance* is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the county's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

## Sharkey County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2012

### M. Property Tax Revenues

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

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

### N. Intergovernmental Revenues in Governmental Funds

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

### O. Compensated absences

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

## Sharkey County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2012

not maintain the necessary records to calculate the compensated absences liability.

### (2) Prior Period Adjustment

A summary of significant fund equity adjustment is as follows:

Exhibit 2 - Statement of Activities

Explanation	Amount
Adjustments were made to correctly present capital leases at year end.	\$ <u>22,444</u>

### (3) Deposits

#### Primary Government

The carrying amount of the county's total deposits with financial institutions at September 30, 2012, was \$1,482,266, and the bank balance was \$1,510,167. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

#### Component Units - Governmental

The carrying amount of the Sharkey - Issaquena Hospital's total deposits with financial institutions at September 30, 2012, was \$3,025,058. The carrying amount of the Sharkey - Issaquena County Library's total deposits with financial institutions at September 30, 2012, was \$1,226. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

## Sharkey County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2012

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

### (4) Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2012:

#### A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Garbage & Solid Waste Fund	General Fund	\$ 1,760
District 1 Road Maintenance	General Fund	919
Other Governmental Funds	General Fund	10,411
Fiduciary Funds	General Fund	1,563
Total		<u>\$ 14,653</u>

The receivables represent the tax revenue collected in September 2012 but not settled until October 2012. All interfund balances are expected to be repaid within one year from the date of the financial statements.

#### B. Advances To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Garbage & Solid Waste Fund	\$ 4,839
	District 1 Road Maintenance Fund	944
	Other Governmental Funds	33,729
District 1 Road Maintenance Fund	General Fund	1,444
	Fiduciary Funds	946
Other Governmental Funds	General Fund	27,023
	Other Governmental Funds	40,000
	Fiduciary Funds	3,783
		<u>\$ 112,708</u>

**Sharkey County, Mississippi**

Notes to the Financial Statements  
For the Year Ended September 30, 2012

The purpose of the advances was to provide funds for operating expenditures, an advance on grant matching requirements and debt service. All advances are expected to be repaid within one year from the date of the financial statements.

C. Transfers In/Out:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
Other Governmental Funds	Garbage & Solid Waste Fund	\$ 2,681
	District 1 Road Maintenance Fund	30,000
	Other Governmental Funds	120,781
Total		<u>\$ 153,462</u>

The purpose of the transfers was to provide funds for grant matches and capital outlay.

(5) Intergovernmental Receivables

Intergovernmental receivables at September 30, 2012 consisted of the following:

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Tax Collector - Legislative Tax Credit	<u>\$ 23,949</u>

(6) Loans Receivable

Loans receivable balances at September 30, 2012, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance</u>
Tucker - CDBG Housing Loan	Various	0%	Various	<u>\$ 3,390</u>

(7) Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2012:

## Sharkey County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2012

### Governmental activities:

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments	Balance Sept. 30, 2012
Non-depreciable capital assets:					
Land	\$ 90,871				90,871
Total non-depreciable capital assets	90,871	0	0	0	90,871
Depreciable capital assets:					
Infrastructure	21,426,125				21,426,125
Buildings	1,467,952				1,467,952
Mobile equipment	1,399,000	22,520	151,223	88,263	1,358,560
Furniture and equipment	86,375				86,375
Leased property under capital leases	830,770	562,048	131,995	(88,263)	1,172,560
Total depreciable capital assets	25,210,222	584,568	283,218	0	25,511,572
Less accumulated depreciation for:					
Infrastructure	12,139,168	124,459			12,263,627
Buildings	1,021,014	7,306			1,028,320
Mobile equipment	1,142,911	41,288	136,101	31,912	1,080,010
Furniture and equipment	75,194	2,270			77,464
Leased property under capital leases	175,504	112,008	23,759	(31,912)	231,841
Total accumulated depreciation	14,553,791	287,331	159,860	0	14,681,262
Total depreciable capital assets, net	10,656,431	297,237	123,358	0	10,830,310
Governmental activities capital assets, net	\$ 10,747,302	297,237	123,358	0	10,921,181

Adjustments to capital assets were made to transfer completed capital leases to the appropriate classification.

### Component Units:

The Sharkey - Issaquena Hospital capital assets balances at September 30, 2012, are as follows:

	Balance Sept. 30, 2012
Non-depreciable capital assets:	
Land	\$ 5,750
Total non-depreciable capital assets	5,750
Depreciable capital assets:	
Land improvements	86,180

## Sharkey County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2012

	Balance Sept. 30, 2012
Non-depreciable capital assets:	
Buildings and leasehold improvements	1,699,927
Equipment	<u>2,670,025</u>
Total depreciable capital assets	<u>4,456,132</u>
Less: Accumulated depreciation	<u>(2,962,164)</u>
Component unit capital assets, net	\$ <u><u>1,499,718</u></u>

The Hospital's financial statements do not disclose the changes in capital assets as required by the *Governmental Accounting and Financial Reporting Standards*.

The Sharkey - Issaquena Library's capital assets balances at September 30, 2012, are as follows:

	Balance Sept. 30, 2012
Depreciable capital assets:	
Books	\$ 314,748
Audio-visual	10,600
Furniture and equipment	136,180
Leasehold improvements	<u>72,540</u>
Component unit total depreciable capital assets	\$ <u><u>534,068</u></u>

The Library's financial statements do not disclose the changes in capital assets as required by the *Governmental Accounting and Financial Reporting Standards*. The library was unable to produce a detail fixed asset inventory for all assets. As a result, the other auditors were unable to apply sufficient audit procedures as to the accuracy and completion of the capital assets. They were unable to calculate accumulated depreciation on these assets as well. Their opinion was qualified as a result of the inadequacy of the accounting record surrounding capital assets.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 2,270
Public safety	9,084
Public works	268,671
Health and welfare	5,064
Culture and recreation	<u>2,242</u>
Total depreciation expense	\$ <u><u>287,331</u></u>

## Sharkey County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2012

### (8) Claims and Judgments

#### Risk Financing

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2012, to January 1, 2013. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

### (9) Operating Leases

#### As Lessor:

The county receives income from property it leases under a noncancellable operating lease. Total income from such lease was \$42,885 for the year ended September 30, 2012. The future minimum lease receivables for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2013	\$ 42,885
2014	42,885
2015	42,885
2016	42,883
Total Minimum Payments Required	<u>\$ 171,538</u>

Lessee: Lagniappe Planting Company  
Description: 214.62 acres of farm land

### (10) Capital Leases

#### As Lessee:

The county is obligated for the following capital assets acquired through capital leases as

**Sharkey County, Mississippi**

Notes to the Financial Statements  
For the year ended September 30, 2012

of September 30, 2012:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 1,172,560
Less: Accumulated depreciation	<u>(231,841)</u>
Leased Property Under Capital Leases	<u>\$ 940,719</u>

The following is a schedule by years of the total payments due as of September 30, 2012:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 153,840	23,719
2014	183,335	18,492
2015	308,342	12,235
2016	20,794	6,015
2017	<u>249,899</u>	<u>3,415</u>
Total	<u>\$ 916,210</u>	<u>63,876</u>

(11) Long-term Debt

Debt outstanding as of September 30, 2012, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
<u>Governmental Activities:</u>			
A. Capital Leases:			
Sheriff Vehicles	\$ 7,617	3.55%	05/2013
Mack Truck	58,084	3.25%	05/2013
Tractor - District 5	5,250	6.00%	09/2013
Cutter - District 5	4,273	6.00%	09/2013
2010 Ford F-150 Pick-up Truck - Distr. 3	8,424	3.55%	03/2014
2012 Mack Garbage Truck	163,429	1.98%	05/2014

**Sharkey County, Mississippi**

Notes to the Financial Statements  
For the year ended September 30, 2012

Motor Grader - District 4	139,479	3.25%	05/2015
Motor Grader - District5	150,276	3.25%	05/2015
Backhoe - District 1	49,210	3.25%	06/2015
Motor Grader - District 1	159,342	2.55%	03/2017
Tractor - District 1	26,449	2.55%	03/2017
Motor Grader - District 2	144,377	2.03%	06/2017
	<u>          </u>		
Total Capital Leases	\$ <u>916,210</u>		

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
B. Other Loans:			
District 1 Loan	\$ 37,065	4.00%	08/2015
District 3 Loan	<u>30,000</u>	4.00%	08/2015
	\$ <u>67,065</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,	Other Loans	
	Principal	Interest
2013	21,490	2,683
2014	22,350	1,823
2015	23,225	947
Total	\$ <u>67,065</u>	<u>5,453</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 by 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, 2012, the amount of outstanding debt was equal to 0% of the latest property assessments.

**Sharkey County, Mississippi**

Notes to the Financial Statements  
For the year ended September 30, 2012

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2012:

	Balance Oct. 1, 2011	Additions	Reductions	Adjustments	Balance Sept. 30, 2012	Amount due within one year
<u>Governmental Activities:</u>						
Capital leases	\$ 617,446	521,568	200,360	(22,444)	916,210	153,840
Other loans	84,335	80,000	97,270		67,065	21,490
Total	\$ <u>701,781</u>	<u>601,568</u>	<u>297,630</u>	<u>(22,444)</u>	<u>983,275</u>	<u>175,330</u>

Adjustments were made to correctly present capital leases at year end.

	Balance Sept. 30, 2012	Amount due within one year
<u>Component Units:</u>		
Hospital - Leases	\$ 258,204	112,573
Library - Compensated absences	1,569	
Total	\$ <u>259,773</u>	<u>112,573</u>

(12) 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.

(13) Jointly Governed Organizations

The county participates in the following jointly governed organizations:

Delta Community Mental Health Services operates in a district composed of the Counties

## Sharkey County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2012

of Bolivar, Issaquena, Sharkey and Washington. The Sharkey County Board of Supervisors appoints one of the four members of the commissioners. The county appropriated \$49,000 for financial support in fiscal year 2012.

Mississippi Delta Community College operates in a district composed of the Counties of Bolivar, Coahoma, Humphreys, Issaquena, Leflore, Sharkey, Sunflower and Washington. The Sharkey County Board of Supervisors appoints three of the 20 members of the college board of trustees. The county appropriated \$80,792 for support in fiscal year 2012.

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

The Yazoo-Mississippi Water Management District operates in a district composed of the Counties of Bolivar, Carroll, Coahoma, DeSoto, Holmes, Humphreys, Issaquena, Leflore, Panola, Quitman, Sharkey, Sunflower, Tallahatchie, Tate, Tunica, Washington and Yazoo. The Sharkey County Board of Supervisors appoints one of the 21 members of the board of commissioners. The county appropriated \$23,350 for support in fiscal year 2012.

### (14) Defined Benefit Pension Plan

#### Plan Description

Sharkey County 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 report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

#### Funding Policy

PERS members are required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2012 was 14.26% of the annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The county's contributions to PERS for the fiscal years ending September 30, 2012, 2011 and 2010 were \$174,077, \$159,436, and \$160,986,

## Sharkey County, Mississippi

Notes to the Financial Statements  
For the year ended September 30, 2012

respectively, equal to the required contributions for each year.

### (15) Subsequent Events

Events that occur after the statement of net assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net assets date require disclosure in the accompanying notes. Management of Sharkey County evaluated the activity of the county, through the date the financial statements were available to be issued, and determined that the following subsequent events have occurred that require disclosure in the notes to the financial statements.

#### Lease Purchases:

10-01-12	\$50,000	IBM Credit for computer system upgrade at 2.19% interest, maturing 10-01-17
03-04-13	\$12,186	BancorpSouth for District 2 - Bushhog at 3.15% interest, maturing 03-06-16
04-15-13	\$88,270	Hancock Bank for 10-wheel loader at 1.82% interest, maturing 05-01-16
05-06-13	\$105,270	BancorpSouth for Mack Dump Truch at 1.81% interest, maturing 06-28-16
05-20-13	\$64,500	BancorpSouth for Excavator at 1.81% interest, maturing 07-18-16

REQUIRED SUPPLEMENTARY INFORMATION

**SHARKEY COUNTY, MISSISSIPPI**  
 Budgetary Comparison Schedule  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2012

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Property Taxes	\$ 1,710,867	1,822,892	1,822,892	112,025	-
Licenses, Commissions and other Revenues	63,800	73,979	73,979	10,179	-
Fines and Forfeitures	82,500	73,944	73,944	(8,556)	-
Intergovernmental Revenues	213,250	305,683	305,683	92,433	-
Charges for Services	1,000	1,120	1,120	120	-
Interest	10,000	19,326	19,326	9,326	-
Miscellaneous Revenues	32,000	111,650	111,650	79,650	-
<b>Total Revenues</b>	<b>2,113,417</b>	<b>2,408,594</b>	<b>2,408,594</b>	<b>295,177</b>	<b>-</b>
<b>Expenditures:</b>					
General Government	1,456,848	1,408,415	1,408,415	48,433	-
Public Safety	516,723	616,189	616,189	(99,466)	-
Health and Welfare	240,874	250,582	250,582	(9,708)	-
Culture and Recreation	13,000	21,273	21,273	(8,273)	-
Conservation of Natural Resources	41,206	38,045	38,045	3,161	-
Economic Development and Assistance	2,266	2,266	2,266	-	-
<b>Total Expenditures</b>	<b>2,270,917</b>	<b>2,336,770</b>	<b>2,336,770</b>	<b>(65,853)</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(157,500)</b>	<b>71,824</b>	<b>71,824</b>	<b>229,324</b>	<b>-</b>
<b>Other Financing Sources (Uses):</b>					
Transfers In(Out)	10,000			(10,000)	-
<b>Net Change in Fund Balances</b>	<b>(147,500)</b>	<b>71,824</b>	<b>71,824</b>	<b>219,324</b>	<b>-</b>
<b>Fund Balances:</b>					
October 1, 2011			371,834	-	371,834
September 30, 2012	\$ (147,500)	71,824	443,658	219,324	371,834

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

**SHARKEY COUNTY , MISSISSIPPI**

Budgetary Comparison Schedule

Budget and Actual (Non-GAAP Basis)

Garbage and Solid Waste Fund

For the Year Ended September 30, 2012

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Property Taxes	\$ 140,000	151,825	151,825	11,825	-
Intergovernmental Revenues		53,965	53,965	53,965	-
Charges for Services	167,097	209,841	209,841	42,744	-
Interest Income		98	98	98	-
Miscellaneous Revenues		17,422	17,422	17,422	-
Total Revenues	<u>307,097</u>	<u>433,151</u>	<u>433,151</u>	<u>126,054</u>	<u>-</u>
<b>Expenditures:</b>					
Public Works	<u>307,097</u>	<u>442,450</u>	<u>442,450</u>	<u>(135,353)</u>	<u>(0)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>(9,299)</u>	<u>(9,299)</u>	<u>(9,299)</u>	<u>(0)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers In (Out)		2,681	2,681	2,681	-
Net Change in Fund Balances	<u>-</u>	<u>(6,618)</u>	<u>(6,618)</u>	<u>(6,618)</u>	<u>(0)</u>
<b>Fund Balances:</b>					
October 1, 2011			42,260	-	42,260
September 30, 2012	<u>\$ -</u>	<u>(6,618)</u>	<u>35,642</u>	<u>(6,618)</u>	<u>42,260</u>

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

**SHARKEY COUNTY, MISSISSIPPI**  
 Budgetary Comparison Schedule  
 Budget and Actual (Non-GAAP Basis)  
 District 1 Road Maintenance  
 For the Year Ended September 30, 2012

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Property Taxes	\$ 35,700	29,932	29,932	(5,768)	-
Road and Bridge Privilege Tax	8,000	10,001	10,001	2,001	-
Licenses, Commissions and Other Revenue	4,000			(4,000)	-
Fines and Forfeitures		8,500	8,500	8,500	-
Intergovernmental Revenues	93,000	96,632	96,632	3,632	-
Charges for Services		97,225	97,225	97,225	-
Interest Income		133	133	133	-
Miscellaneous Revenues	20,000	153,465	153,465	133,465	-
<b>Total Revenues</b>	<b>160,700</b>	<b>395,888</b>	<b>395,888</b>	<b>235,188</b>	<b>-</b>
<b>Expenditures:</b>					
Public Works	206,725	415,605	415,605	(208,880)	-
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(46,025)</b>	<b>(19,717)</b>	<b>(19,717)</b>	<b>26,308</b>	<b>-</b>
<b>Other Financing Sources (Uses):</b>					
Proceeds from Long-Term Capital Debt		50,000	50,000	50,000	-
Transfers In (Out)		30,000	30,000	30,000	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>80,000</b>	<b>80,000</b>	<b>(80,000)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(46,025)</b>	<b>60,283</b>	<b>60,283</b>	<b>106,308</b>	<b>-</b>
<b>Fund Balances:</b>					
October 1, 2011			34,129	-	34,129
September 30, 2012	\$ (46,025)	60,283	94,412	106,308	34,129

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

## Sharkey County, Mississippi

Notes to the Required Supplementary Information  
For the year ended September 30, 2012

### A. Budgetary Information.

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

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

### B. Basis of Presentation.

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

### C. Budget/GAAP Reconciliation.

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

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

**Sharkey County, Mississippi**

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2012

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

	<u>Governmental Fund Types</u>		
	<u>General Fund</u>	<u>Garbage &amp; Solid Waste Fund</u>	<u>District 1 Road Maintenance Fund</u>
Budget (Cash Basis)	\$ 71,824	(6,618)	60,283
Increase (Decrease)			
Net adjustments for revenue accruals	173,511	8,171	178
Net adjustments for expenditure accruals	<u>(148,855)</u>	<u>(22,863)</u>	<u>(28,155)</u>
GAAP Basis	\$ <u>96,480</u>	<u>(21,310)</u>	<u>32,306</u>

SUPPLEMENTAL INFORMATION

**SHARKEY COUNTY, MISSISSIPPI**  
Reconciliation of Operating Costs of Solid Waste  
For the fiscal year ended September 30, 2012

OPERATING EXPENDITURES, CASH BASIS (G/L Detail)

Salaries	\$	157,677
Expendable Commodities:		
Gasoline and petroleum products		43,957
Repairs and parts		47,060
Clothing		1,395
Solid waste pickup and disposal fees		114,129
Maintenance		3,355
Postage and box rent		<u>5,281</u>
 Solid Waste Operating Expenditures, Cash Basis	\$	 372,854

**FULL COST EXPENSES**

Indirect administrative costs	\$	5,595
Depreciation on equipment		19,098
Interest expense on lease-purchase equipment		<u>3,934</u>
	\$	<u><u>401,481</u></u>

SHARKEY COUNTY, MISSISSIPPI  
 COMBINING BALANCE SHEET - COMPONENT UNITS  
 SEPTEMBER 30, 2012

	Sharkey- Issaquena Community Hospital	Sharkey- Issaquena County Library	Total Component Units
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 3,025,058	\$ 1,226	\$ 3,026,284
Temporary cash investments	2,727,149	--	2,727,149
Investment in HPIC	55,762	--	55,762
Accounts receivable, net	1,201,186	--	1,201,186
Other receivables	32,979	119	33,098
Prepaid items	97,521	--	97,521
Supplies	132,136	--	132,136
Restricted assets	--	1,170	1,170
Capital assets, net	1,499,718	534,068	2,033,786
<b>Total Assets</b>	<u>8,771,509</u>	<u>536,583</u>	<u>9,308,092</u>
<b>LIABILITIES AND NET ASSETS:</b>			
<b>LIABILITIES:</b>			
Accounts payable	1,037,934	5,629	1,043,563
Accrued interest payable	--	2,071	2,071
Other payables	--	49,000	49,000
Long term liabilities - current	112,573	1,569	114,142
Long term liabilities - non-current	145,631	--	145,631
<b>Total Liabilities</b>	<u>1,296,138</u>	<u>58,269</u>	<u>1,354,407</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	1,241,514	534,068	1,775,582
Restricted	45,063	1,170	46,233
Unrestricted	6,188,794	(56,924)	6,131,870
<b>Total Net Assets</b>	<u>7,475,371</u>	<u>478,314</u>	<u>7,953,685</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 8,771,509</u>	<u>\$ 536,583</u>	<u>\$ 9,308,092</u>

**SHARKEY COUNTY, MISSISSIPPI**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET ASSETS - COMPONENT UNITS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Sharkey- Issaquena Community Hospital	Sharkey- Issaquena County Library	Total Component Units
<b>Operating Revenues:</b>			
Charges for services	\$ 7,688,499	\$ 6,435	\$ 7,694,934
Other	1,904,565	80,158	1,984,723
<b>Total Operating Revenues</b>	<b>9,593,064</b>	<b>86,593</b>	<b>9,679,657</b>
<b>Operating Expenses:</b>			
Personnel	3,844,907	113,332	3,958,239
Materials and supplies	4,415,042	10,210	4,425,252
Operations	--	41,468	41,468
Depreciation	352,806	--	352,806
Capital outlays	--	2,481	2,481
<b>Total Operating Expenses</b>	<b>8,612,755</b>	<b>167,491</b>	<b>8,780,246</b>
<b>Operating Income (Loss)</b>	<b>980,309</b>	<b>(80,898)</b>	<b>899,411</b>
<b>Non- Operating Revenues (Expenses):</b>			
Reimbursements and grants	108,185	11,200	119,385
Interest income	31,948	12	31,960
Interest expenses	(16,999)	--	(16,999)
Sharkey/Issaquena County	--	65,663	65,663
<b>Total Non-Operating Revenues (Expenses)</b>	<b>123,134</b>	<b>76,875</b>	<b>200,009</b>
<b>Increase (Decrease) in Net Assets</b>	<b>1,103,443</b>	<b>(4,023)</b>	<b>1,099,420</b>
<b>Net Assets:</b>			
Beginning of year	6,371,928	482,337	6,854,265
End of year	\$ 7,475,371	\$ 478,314	\$ 7,953,685

SPECIAL REPORTS

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Supervisors  
Sharkey County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Sharkey County, Mississippi, as of and for the year ended September 30, 2012, which collectively comprise the county's basic financial statements and have issued our report thereon dated June 26, 2013. The report is qualified on the discretely presented component units due to the inadequacy of the accounting records for the capital assets of the Sharkey - Issaquena Library. We did not audit the financial statements of the Sharkey - Issaquena Community Hospital or Sharkey - Issaquena County Library, component units, which represents 94 percent, 94 percent and 99 percent, and 6 percent, 6 percent and 1 percent, respectively, of the assets, net assets and revenues of the proprietary component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar, as it relates to the amounts included for the aforementioned component units, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. However, the financial statements of Sharkey - Issaquena Community Hospital, component unit, audited by other auditors were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. [Finding 2012-1 and Finding 2012-2]

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. [Findings 2012-3, 2012-4, 2012-5 and 2012-6]

### **Compliance and Other Matters**

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

However, we noted certain matters that we reported to the management of Sharkey County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated June 26, 2013, included within this document.

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

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

*Fortenberry & Ballard, PC*

Fortenberry & Ballard PC  
June 26, 2013

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Supervisors  
Sharkey County, Mississippi

We have examined Sharkey County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2012. The Board of Supervisors of Sharkey County, Mississippi, is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Sharkey County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

In our opinion, Sharkey County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2012.

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 examination.

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
June 26, 2013

Certified Public Accountants

**Sharkey County, Mississippi**  
Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2012

**Schedule 1**

Date	Item Purchased	Bid Accepted	Vendor	Lowest Bid	Reason for Accepting Other than the Lowest Bid
03-19-12	Garbage Truck	\$ 175,200	Tri-State Truck	\$ 120,687	Too light for county's needs, 150 day delivery.
05-07-12	Motor Grader	\$ 181,248	Stribling Equipment	\$ 179,550	Buy back no match for Stribling & John Deer is preferable.

**Sharkey County, Mississippi**  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2012

**Schedule 2**

Our test results did not identify any emergency purchases.

**Sharkey County, Mississippi**

**Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2012**

**Schedule 3**

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

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

LIMITED INTERNAL CONTROL  
AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors  
Sharkey County, Mississippi

In planning and performing our audit of the financial statements of Sharkey County, Mississippi for the year ended September 30, 2012, we considered Sharkey County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Sharkey County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated June 26, 2013, on the financial statements of Sharkey County, Mississippi.

The results of our review procedures and compliance tests identified immaterial instances of noncompliance with state laws and regulations that are an opportunity for strengthening internal controls and operating efficiency. Our findings and recommendations and your responses are as follows:

Board of Supervisors.

Finding #1:

Section 27-39-329(2)(b), Miss. Code Ann. (1972), states each county shall levy each year an ad valorem tax of one (1) mill upon all taxable property of the county which may be used for any purpose for which counties are authorized by law to levy an ad valorem tax, but the avails of such tax levy shall not be expended unless and until the Department of Revenue has certified that the county has a method of maintaining assessment records in accordance with commission rules and regulations, has an ownership mapping system as provided in Section 27-35-53 in conformity with commission specifications, maintains certified appraisers as provided in Section 27-3-52, and complies with requests by the commission for sales data under Section 27-3-51. While the county has met the requirements of maintaining assessment records, has an ownership mapping system, maintains certified appraisers and complies with commission requests for sales data, the county has failed to levy the one (1) mill upon all taxable property under the code subsection 27-39-329(2)(b).

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Recommendation:

The Board of Supervisors shall levy an ad valorem tax of one (1) mill upon all taxable property of the county which may be used for any purpose for which counties are authorized by law to levy an ad valorem tax. A fund shall be established to account for ad valorem collections to be recognized and recorded. Upon Department of Revenue approval, the Board of Supervisors will have discretion to transfer and expend collected funds.

Board of Supervisors' Response:

We will comply.

Sheriff

Finding #2:

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

Recommendation:

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

Sheriff's Response:

I will identify and correct all problems.

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

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

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
June 26, 2013

Certified Public Accountants

## Sharkey County, Mississippi

### Schedule of Findings and Responses For the Year Ended September 30, 2012

#### Section I: Summary of Auditor's Results

##### **Financial Statements:**

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

Governmental Activities: **Unqualified**

Aggregate Discretely Presented Component Units: **Qualified**

General Fund: **Unqualified**

Garbage & Solid Waste Fund: **Unqualified**

District 1 Road Maintenance Fund: **Unqualified**

Aggregate remaining fund information: **Unqualified**

2. Internal control over financial reporting:
  - a. Material weaknesses identified? **Yes**
  - b. Significant deficiencies identified that are not considered to be material weaknesses? **Yes**
3. Noncompliance material to the financial statements noted? **No**

#### Section II: Financial Statements Findings

The results of our tests disclosed the following findings related to financial statements that are required to be reported by *Government Auditing Standards*.

##### **Finding 2012-1:**

##### **Board of Supervisors**

##### **Material Weakness**

A critical aspect of effective financial management is the preparation of accurate financial statements. Management did not have personnel that possessed the necessary expertise to prepare the financial statements in accordance with generally accepted accounting principles. Without adequate controls in place over the preparation of financial statements in accordance with generally accepted accounting principles, the risk increases that inaccurate information may be reported.

##### **Recommendation:**

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

Response:  
I will comply.

**Finding 2012-2:**

**Board of Supervisors**

**Material Weakness**

An effective system of internal control over the solid waste accounts receivable records should include maintaining adequate subsidiary records to substantiate the total accounts receivable balance and include adequate documentation on estimates for the related allowance for uncollectible amounts. Balances on some individual accounts receivables at year-end as reported on the aged accounts receivable report did not agree with the balances as shown on the individual account history detail because account balances shown on the aged accounts receivable report did not include account history prior to June 1, 2000. Failure to maintain adequate subsidiary records of solid waste accounts receivables and to adequately determine and document reasonable estimates of solid waste allowance for uncollectible could result in misstatements of the financial statements.

Recommendation:

The Board of Supervisors should maintain complete and adequate subsidiary solid waste accounts receivable records.

Response:

We will maintain complete and adequate subsidiary solid waste accounts receivable records.

**Finding 2012-3:**

**Chancery Clerk**

**Significant Deficiency**

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

Recommendation:

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

Response:

We will maintain adequate records so that the total compensated absence liability may be calculated and reported in the financial statements.

**Finding 2012-4:**

**Chancery Clerk**

**Significant Deficiency**

The following deviation was noted from the prescribed accounting system prescribed in the *Mississippi County Financial Accounting Manual* for the land redemption account:

Bank statements were not reconciled. As a result, reconciliations to the cash journal balance at month-end could not be performed.

Failure of the Chancery Clerk to comply with the prescribed accounting system could result in undetected errors in the cash journal and improper or incomplete settlements being made to the county and/or other parties affected.

Recommendation:

The Chancery Clerk should make efforts to comply with the accounting system prescribed in the *Mississippi County Financial Accounting Manual*. Bank statements should be reconciled, and the reconciled total should match the cash journal total.

Response:

I will comply.

**Finding 2012-5:**

**Justice Court Clerk**

**Significant Deficiency**

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

Recommendation:

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

Response:

We will implement a system of review of the accounting records by another person.

**Finding 2012-6:**

**Circuit Clerk**

**Significant Deficiency**

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

**Recommendation:**

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

**Response:**

We will ensure that proper internal controls are maintained within the office through segregation of duties and correctly reconciling bank statements to the cash journals.

