



**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR**

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State Auditor

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**CLAIBORNE COUNTY, MISSISSIPPI**

**Audited Primary Government Financial Statements and Special Reports  
For the Year Ended September 30, 2004**







CLAIBORNE COUNTY

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CLAIBORNE COUNTY

FINANCIAL SECTION

CLAIBORNE COUNTY

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## State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

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

Members of the Board of Supervisors  
Claiborne County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Claiborne County, Mississippi, as of and for the year ended September 30, 2004, which collectively comprise the county's primary government financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements referred to above include only the primary government of Claiborne County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Claiborne County, Mississippi, as of September 30, 2004, and the respective changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information for the primary government of Claiborne County, Mississippi, as of September 30, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2006, on our consideration of Claiborne County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise Claiborne County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



PHIL BRYANT  
State Auditor



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

January 26, 2006

CLAIBORNE COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

CLAIBORNE COUNTY  
Statement of Net Assets  
September 30, 2004

Exhibit 1

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
ASSETS	
Cash	\$ 3,064,419
Accrued interest receivable	414
Property tax receivable	1,999,027
Accounts receivable (net of allowance for uncollectibles of \$191,110)	191,110
Fines receivable (net of allowance for uncollectibles of \$691,409)	314,931
Loans receivable	637,222
Intergovernmental receivables	61,805
Other receivables	8,238
Capital assets, net	11,632,155
Total Assets	<u>17,909,321</u>
LIABILITIES	
Claims payable	252,802
Amounts held in custody for others	39,706
Intergovernmental payables	59,230
Accrued interest payable	39,263
Deferred revenue	1,999,027
Short-term debt	712,500
Long-term liabilities	
Due within one year:	
Capital debt	516,964
Non-capital debt	72,327
Due in more than one year:	
Capital debt	3,587,497
Non-capital debt	429,089
Total Liabilities	<u>7,708,405</u>
NET ASSETS	
Invested in capital assets, net of related debt	7,527,694
Restricted:	
Expendable:	
General government	1,353,102
Debt service	406,899
Public safety	325,253
Public works	138,788
Culture and recreation	29,956
Economic development	414,600
Unrestricted	4,624
Total Net Assets	<u>\$ 10,200,916</u>

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

CLAIBORNE COUNTY  
Statement of Activities  
For the Year Ended September 30, 2004

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 3,209,614	169,008	78,283	15,797	(2,946,526)
Public safety	2,142,720	95,422	348,149	28,565	(1,670,584)
Public works	3,547,707	123,651	502,098	3,847,354	925,396
Health and welfare	1,027,657		762,685		(264,972)
Culture and recreation	249,041				(249,041)
Education	595,801				(595,801)
Conservation of natural resources	214,735			87,233	(127,502)
Economic development and assistance	519,636		363,980	13,985	(141,671)
Interest on long-term debt	190,549				(190,549)
Total Governmental Activities	<u>\$ 11,697,460</u>	<u>388,081</u>	<u>2,055,195</u>	<u>3,992,934</u>	<u>(5,261,250)</u>
General revenues:					
Property taxes				\$	1,801,475
Road & bridge privilege taxes					123,429
Grants and contributions not restricted to specific programs					4,727,439
Unrestricted gifts and donations					550
Unrestricted interest income					62,337
Miscellaneous					292,791
Total General Revenues					<u>7,008,021</u>
Changes in Net Assets					<u>1,746,771</u>
Net Assets - Beginning					7,724,826
Prior period adjustment					<u>729,319</u>
Net Assets - Beginning, as restated					<u>8,454,145</u>
Net Assets - Ending				\$	<u>10,200,916</u>

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

CLAIBORNE COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2004

Exhibit 3

	<u>Major Funds</u>			<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>Road</u>	<u>Debt</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Service</u>	<u>Funds</u>	<u>Funds</u>
			<u>Fund</u>		
ASSETS					
Cash	\$ 1,370,691	356,469	435,634	901,625	3,064,419
Accrued interest receivable	60			354	414
Property tax receivable	1,088,204	175,627	452,626	282,570	1,999,027
Accounts receivable (net of allowance for uncollectibles of \$191,110)				191,110	191,110
Fines receivable (net of allowance for uncollectibles of \$691,409)	314,931				314,931
Loans receivable	227,222			410,000	637,222
Intergovernmental receivables	57,425			4,380	61,805
Other receivables	8,238				8,238
Due from other funds		129,874	10,528	7,479	147,881
Total Assets	<u>\$ 3,066,771</u>	<u>661,970</u>	<u>898,788</u>	<u>1,797,518</u>	<u>6,425,047</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims payable	\$ 167,048	33,686		52,068	252,802
Amounts held in custody for others	39,706				39,706
Intergovernmental payables	52,906				52,906
Due to other funds	39,889			114,316	154,205
Deferred revenue	1,403,135	175,627	452,626	473,680	2,505,068
Short-term debt		712,500			712,500
Total Liabilities	<u>1,702,684</u>	<u>921,813</u>	<u>452,626</u>	<u>640,064</u>	<u>3,717,187</u>
Fund balances:					
Reserved for:					
Debt service			446,162		446,162
Loans receivable	227,222			410,000	637,222
Unreserved, reported in:					
General Fund	1,136,865				1,136,865
Special Revenue Funds		(259,843)		747,454	487,611
Total Fund Balances	<u>1,364,087</u>	<u>(259,843)</u>	<u>446,162</u>	<u>1,157,454</u>	<u>2,707,860</u>
Total Liabilities and Fund Balances	<u>\$ 3,066,771</u>	<u>661,970</u>	<u>898,788</u>	<u>1,797,518</u>	<u>6,425,047</u>

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

CLAIBORNE COUNTY

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
September 30, 2004

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 2,707,860
Amounts reported for governmental services in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$5,408,517.	11,632,155
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	506,041
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(4,605,877)
Accrued interest payable is not due and payable is the current period and, therefore, is not reported in the funds.	<u>(39,263)</u>
Total Net Assets - Governmental Activities	<u>\$ 10,200,916</u>

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

## CLAIBORNE COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2004

	Major Funds			Other	Total
	General	Road	Debt	Governmental	Governmental
	Fund	Fund	Service	Funds	Funds
	Fund	Fund	Fund	Funds	Funds
REVENUES					
Property taxes	\$ 845,041	207,149	436,987	312,298	1,801,475
Road and bridge privilege taxes		123,429			123,429
Licenses, commissions and other revenue	136,439			2,388	138,827
Fines and forfeitures	51,091				51,091
Intergovernmental revenues	4,329,361	3,935,601	546,413	1,964,743	10,776,118
Charges for services	10,058			194,274	204,332
Interest income	55,195	4,275	674	2,193	62,337
Miscellaneous revenues	150,297	118,182		22,766	291,245
Total Revenues	5,577,482	4,388,636	984,074	2,498,662	13,448,854
EXPENDITURES					
Current:					
General government	3,060,284				3,060,284
Public safety	1,946,721			339,634	2,286,355
Public works		5,905,337		1,296,533	7,201,870
Health and welfare	334,157			693,279	1,027,436
Culture and recreation	240,044			7,771	247,815
Education			595,801		595,801
Conservation of natural resources	216,288				216,288
Economic development and assistance	98,801			420,835	519,636
Debt service:					
Principal	32,726	443,064	485,000		960,790
Interest	12,626	19,954	118,706		151,286
Total Expenditures	5,941,647	6,368,355	1,199,507	2,758,052	16,267,561
Excess of Revenues over (under) Expenditures	(364,165)	(1,979,719)	(215,433)	(259,390)	(2,818,707)
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued		452,439			452,439
Proceeds from sale of capital assets	3,555	248,965			252,520
Compensation for loss of capital assets	18,737				18,737
Total Other Financing Sources and Uses	22,292	701,404	0	0	723,696
Net Changes in Fund Balances	(341,873)	(1,278,315)	(215,433)	(259,390)	(2,095,011)
Fund Balances - Beginning	1,705,960	1,018,472	661,595	1,416,844	4,802,871
Fund Balances - Ending	\$ 1,364,087	(259,843)	446,162	1,157,454	2,707,860

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



## CLAIBORNE COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2004

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (2,095,011)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$4,223,323 exceeded depreciation of \$525,579 in the current period.	3,697,744
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$40,945 and the proceeds from the sale of \$252,520 in the current period and insurance proceeds of \$18,737.	(312,202)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(6,170)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$960,790 exceeded debt proceeds of \$452,439.	508,351
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
The amount of increase in accrued interest payable	(39,263)
The amount of increase in compensated absences	<u>(6,678)</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,746,771</u>

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

CLAIBORNE COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2004

Exhibit 5

	Agency Funds
ASSETS	
Cash	\$ 133,490
Due from other funds	6,324
Total Assets	\$ <u>139,814</u>
LIABILITIES	
Amounts held in custody for others	\$ 5,943
Intergovernmental payables	133,871
Total Liabilities	\$ <u>139,814</u>

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

## CLAIBORNE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2004

#### (1) Summary of Significant Accounting Policies.

##### A. Financial Reporting Entity.

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

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

- Claiborne County Hospital

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

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

##### B. Individual Component Unit Disclosures.

###### Blended Component Unit

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

##### C. Basis of Presentation.

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

###### Government-wide Financial Statements:

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

## CLAIBORNE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2004

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 financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied.

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

The county reports the following major Governmental Funds:

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

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

Debt Service Fund - This fund is used to account for resources accumulated and used for the payment of long-term debt principal, interest and related costs of borrowing used for road projects.

## CLAIBORNE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2004

Additionally, the county reports the following fund types:

#### GOVERNMENTAL FUND TYPES

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

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

#### FIDUCIARY FUND TYPE

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

#### E. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2001 by the Government Finance Officers Association and the *Mississippi County Financial Accounting Manual* as revised in 2002 by the Office of the State Auditor.

#### F. Deposits and Investments.

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

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

#### G. Receivables.

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

#### H. Interfund Transactions and Balances.

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

## CLAIBORNE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2004

#### I. Capital Assets.

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

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

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

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

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

#### J. Long-term Liabilities.

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

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

## CLAIBORNE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2004

#### K. Equity Classifications.

##### Government-wide Financial Statements:

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

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

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

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

##### Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved.

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

#### L. Property Tax Revenues.

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

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

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

## CLAIBORNE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2004

#### M. Intergovernmental Revenues in Governmental Funds.

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

#### N. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

#### (2) Prior Period Adjustment.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
To correct the omission in prior year of garbage collection accounts receivable, net	\$ 191,110
To correct error in capital assets, net	<u>538,209</u>
Total	<u>\$ 729,319</u>

#### (3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2004, was \$3,197,909, and the bank balance was \$3,541,777. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.



# CLAIBORNE COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2004

### (4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2004:

Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Road	General	\$ 15,558
Road	Other Governmental Funds	114,316
Debt Service	General	10,528
Other Governmental Funds	General	7,479
Agency Funds	General	6,324
Total		<u>\$ 154,205</u>

The receivable in the Road Fund and the payable in the Other Governmental Funds represent an error in posting ad valorem taxes incorrectly to these funds. All other receivables represent the tax revenue collected but not settled until October, 2004. All interfund balances are expected to be repaid within one year from the date of the financial statements.

### (5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2004, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tag credit	\$ 53,103
Welfare reimbursement	4,322
HOME investment partnerships program	4,380
Total Governmental Activities	<u>\$ 61,805</u>

### (6) Loans Receivable.

Loans receivable balances at September 30, 2004, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Payable</u>
Hospital loan	07/06/01	0%	N/A	\$ 60,000
Hospital loan	07/11/01	0%	N/A	65,000
Port Gibson Apartments, LLC	03/13/01	Various	09-50	410,000
Hospital loan	03/09/04	0%	12-07	102,222
Total				<u>\$ 637,222</u>

CLAIBORNE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2004:

Governmental activities:

	Balance Oct. 1, 2003	Additions	Deletions	Adjustments	Balance Sept. 30, 2004
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,084,451	280,000		13,700	1,378,151
Construction in progress		3,216,146		517,559	3,733,705
Total non-depreciable capital assets	<u>1,084,451</u>	<u>3,496,146</u>	<u>0</u>	<u>531,259</u>	<u>5,111,856</u>
<u>Depreciable capital assets:</u>					
Buildings	6,098,490				6,098,490
Improvements other than buildings	2,855,319				2,855,319
Mobile equipment	2,038,995	277,039	243,050	228,701	2,301,685
Furniture and equipment	25,460	5,499		135,175	166,134
Leased property under capital leases	708,230	444,639	416,980	(228,701)	507,188
Total depreciable capital assets	<u>11,726,494</u>	<u>727,177</u>	<u>660,030</u>	<u>135,175</u>	<u>11,928,816</u>
<u>Less accumulated depreciation for:</u>					
Buildings	1,864,804	121,971			1,986,775
Improvements other than buildings	2,064,449	114,212			2,178,661
Mobile equipment	936,114	150,245	197,712	96,716	985,363
Furniture and equipment	10,768	5,201		128,225	144,194
Leased property under capital leases	226,406	133,950	150,116	(96,716)	113,524
Total accumulated depreciation	<u>5,102,541</u>	<u>525,579</u>	<u>347,828</u>	<u>128,225</u>	<u>5,408,517</u>
Total depreciable capital assets, net	<u>6,623,953</u>	<u>201,598</u>	<u>312,202</u>	<u>6,950</u>	<u>6,520,299</u>
Governmental activities capital assets, net	<u>\$ 7,708,404</u>	<u>3,697,744</u>	<u>312,202</u>	<u>538,209</u>	<u>11,632,155</u>

Adjustments are to correct prior year errors and to reclassify paid out lease purchases.

# CLAIBORNE COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2004

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 151,537
Public safety	98,509
Public works	274,520
Culture and recreation	<u>1,013</u>
Total governmental activities depreciation expense	\$ <u><u>525,579</u></u>

### (8) Commitments.

Commitments with respect to unfinished capital projects at September 30, 2004, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Warrenton Road Bridge	\$ 19,964	November 2004
Willows Road Bridge	568,241	December 2004

Claiborne County participates in an interlocal agreement pertaining to a Multi-Jurisdictional Narcotics Enforcement Unit formed collectively with Holmes, Grenada, Humphreys and Leflore Counties and the municipalities of Itta Bena, Greenwood and Grenada known as the North Central Narcotics Task Force. The task force was formed as a joint effort to provide the maximum effectiveness and efficiency in the enforcement of the criminal laws of the state regarding controlled substances. Most of the funding will come from a federal grant, with the local entities contributing 25 percent. Claiborne County appropriated \$10,495 for support of the task force in fiscal year 2004.

### (9) Claims and Judgments.

#### Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$500,000 for law enforcement, fire fighters and road construction personnel and \$400,000 for all other employees 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, 2004, to January 1, 2005. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

CLAIBORNE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

(10) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2004:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 444,639
Other furniture and equipment	<u>62,549</u>
Total	507,188
Less: Accumulated depreciation	<u>113,524</u>
Leased Property Under Capital Leases	<u><u>\$ 393,664</u></u>

The following is a schedule by years of the total payments due as of September 30, 2004:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 66,964	14,754
2006	69,270	12,451
2007	69,453	10,059
2008	60,656	7,448
2009	<u>218,118</u>	<u>4,134</u>
Total	<u><u>\$ 484,461</u></u>	<u><u>48,846</u></u>

(11) Short-term Debt and Liquidity.

The following is a summary of short-term debt activity for the year ended September 30, 2004:

<u>Description of Debt</u>	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance</u>
	<u>Oct. 1, 2003</u>				<u>Sept. 30, 2004</u>
Note	\$ <u>0</u>	<u>712,500</u>	<u>0</u>	<u>0</u>	\$ <u>712,500</u>

During the month of September, 2004, the county borrowed money to provide funding for the South Bald Hill Road Emergency Watershed Protection Program. The interest rate on the note was 3.10 percent and carries a maturity date of May 26, 2005.

CLAIBORNE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

(12) Long-term Debt.

Debt outstanding as of September 30, 2004, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
General obligation refunding bonds	\$ 350,000	5.20/5.30%	08-06
General obligation refunding bonds - 1993B	1,350,000	5.00/5.40%	09-11
General obligation road and bridge - 2001	1,920,000	4.00/5.70%	06-16
General obligation certificates	<u>100,000</u>	4.70%	08-06
Total General Obligation Bonds	\$ <u><u>3,720,000</u></u>		
B. Capital Leases:			
Phone system	\$ 44,001	5.65%	09-07
Case 750K crawler	69,648	3.00%	05-09
(2) Case 865 DPH motor graders	237,836	3.00%	05-09
(2) Massey Ferguson tractors with two Alamo mowers	36,018	2.78%	07-07
Daewoo 225 excavator	<u>96,958</u>	3.00%	08-09
Total Capital Leases	\$ <u><u>484,461</u></u>		
C. Other Loans:			
State revolving loan fund	\$ <u><u>222,970</u></u>	4.00%	01-13

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2005	\$ 500,000	182,387	22,327	9,461
2006	525,000	156,358	24,159	7,630
2007	320,000	128,673	25,143	6,646
2008	330,000	111,965	26,167	5,622
2009	350,000	96,295	27,234	4,556
2010 - 2014	1,295,000	243,770	97,940	6,915
2015 - 2019	<u>400,000</u>	<u>27,225</u>		
Total	\$ <u><u>3,720,000</u></u>	<u><u>946,673</u></u>	<u><u>222,970</u></u>	<u><u>40,830</u></u>

# CLAIBORNE COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2004

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2004, the amount of outstanding debt was equal to 6.3% of the latest property assessments.

Prior Year Defeasance of Debt - In prior years, the county defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the county's financial statements. On September 30, 2004, \$2,130,000 of bonds outstanding were considered defeased.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2004:

	Balance Oct. 1, 2003	Additions	Reductions	Adjustments	Balance Sept. 30, 2004	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 171,768	6,678			178,446	
General obligation bonds	4,205,000		485,000		3,720,000	500,000
Capital leases	484,622	452,439	452,600		484,461	66,964
Other loans	246,160		23,190		222,970	22,327
Total	\$ 5,107,550	459,117	960,790	0	4,605,877	589,291

### (13) Deficit Fund Balance of Individual Fund.

The following fund reported a deficit fund balance at September 30, 2004:

Fund	Deficit Amount
Road	\$ 259,843

### (14) Contingencies.

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

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

## CLAIBORNE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2004

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

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

Description	Balance at Sept. 30, 2004
Industrial revenue bonds	\$ <u>133,170,000</u>

(16) Joint Venture.

The county participates in the following joint venture:

Claiborne County is a participant with the City of Port Gibson in a joint venture, authorized by Mississippi's non-profit corporate statutes, to operate the Harriette Person Memorial Library. The joint venture is governed by a nine-member board of trustees. By contractual agreement, the county's appropriation to the joint venture was \$47,250 in fiscal year 2004. Complete financial statements for the Harriette Person Memorial Library can be obtained from P. O. Box 1017, Port Gibson, MS 39150.

(17) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Hinds Community College operates in a district composed of the Counties of Claiborne, Copiah, Hinds, Rankin and Warren. The Claiborne County Board of Supervisors appoints one of the 15 members of the college board of trustees. The county appropriated \$267,365 for the maintenance and support of the college in fiscal year 2004.

Southwest Mississippi Mental Health Complex operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Claiborne County Board of Supervisors appoints one of the ten members of the board of commissioners. The county appropriated \$21,600 for its support in fiscal year 2004.

Southwest Mississippi Planning and Development District operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Claiborne County Board of Supervisors appoints four of the 40 members of the board of directors. The county appropriated \$23,085 for its support in fiscal year 2004.

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

# CLAIBORNE COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2004

### (18) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2004, 2003 and 2002 were \$260,125, \$254,309 and \$252,413, respectively, equal to the required contributions for each year.

### (19) Subsequent Events.

Subsequent to September 30, 2004, Claiborne County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10/14/04	3.00%	\$ 112,844	Lease purchase	Ad valorem taxes
02/11/05	2.78%	87,902	Lease purchase	Ad valorem taxes
10/01/05	3.875/5.25%	4,450,000	General obligation bonds	Ad valorem taxes
10/05/05	3.94%	112,555	Lease purchase	Ad valorem taxes



CLAIBORNE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

CLAIBORNE COUNTY

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CLAIBORNE COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2004

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 1,071,643	841,356	841,356	
Licenses, commissions and other revenue	289,009	155,535	155,535	
Fines and forfeitures	44,000	12,313	12,313	
Intergovernmental revenues	6,747,390	7,636,200	7,636,200	
Charges for services	13,000	42,058	42,058	
Interest income	18,000	203,020	203,020	
Miscellaneous revenues	47,500	143,350	143,350	
Total Revenues	<u>8,230,542</u>	<u>9,033,832</u>	<u>9,033,832</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	5,500,503	5,789,690	5,789,690	
Public safety	1,799,173	1,914,492	1,914,492	
Health and welfare	571,073	1,070,984	1,070,984	
Culture and recreation	210,444	238,410	238,410	
Conservation of natural resources	111,613	216,092	216,092	
Economic development and assistance	53,000	98,801	98,801	
Total Expenditures	<u>8,245,806</u>	<u>9,328,469</u>	<u>9,328,469</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(15,264)</u>	<u>(294,637)</u>	<u>(294,637)</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	8,000	9,138	9,138	
Compensation for loss of capital assets		20,101	20,101	
Transfers out		(5,001)	(5,001)	
Total Other Financing Sources and Uses	<u>8,000</u>	<u>24,238</u>	<u>24,238</u>	<u>0</u>
Net Change in Fund Balance	(7,264)	(270,399)	(270,399)	
Fund Balances - Beginning		1,620,880	1,479,578	(141,302)
Fund Balances - Ending	<u>\$ (7,264)</u>	<u>1,350,481</u>	<u>1,209,179</u>	<u>(141,302)</u>

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

CLAIBORNE COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Road Fund  
 For the Year Ended September 30, 2004

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 415,376	90,143	90,143	
Road and bridge privilege taxes	100,000	124,046	124,046	
Intergovernmental revenues	637,612	719,455	719,455	
Interest income	4,500	8,885	8,885	
Miscellaneous revenues		320,482	320,482	
Total Revenues	<u>1,157,488</u>	<u>1,263,011</u>	<u>1,263,011</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	1,131,024	2,694,996	2,694,996	
Total Expenditures	<u>1,131,024</u>	<u>2,694,996</u>	<u>2,694,996</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>26,464</u>	<u>(1,431,985)</u>	<u>(1,431,985)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued		712,500	712,500	
Proceeds from sale of capital assets		46,665	46,665	
Compensation for loss of capital assets		23	23	
Total Other Financing Sources and Uses	<u>0</u>	<u>759,188</u>	<u>759,188</u>	<u>0</u>
Net Change in Fund Balance	26,464	(672,797)	(672,797)	
Fund Balances - Beginning	<u>85,824</u>	<u>1,029,266</u>	<u>1,029,266</u>	
Fund Balances - Ending	<u>\$ 112,288</u>	<u>356,469</u>	<u>356,469</u>	<u>0</u>

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

# CLAIBORNE COUNTY

## Notes to the Required Supplementary Information For the Year Ended September 30, 2004

### A. Budgetary Information.

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

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

### B. Basis of Presentation.

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

### C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types	
	General Fund	Road Fund
Budget (Cash Basis)	\$ (270,399)	(672,797)
Increase (Decrease)		
Net adjustments for revenue accruals	442,939	3,576,890
Net adjustments for expenditure accruals	(514,413)	(4,182,408)
GAAP Basis	\$ <u>(341,873)</u>	<u>(1,278,315)</u>

CLAIBORNE COUNTY

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CLAIBORNE COUNTY

SUPPLEMENTAL INFORMATION

CLAIBORNE COUNTY  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2004

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARDS			
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority HOME investment partnerships program	14.239	M01-SG-28-01-0976	\$ <u>252,445</u>
U.S. Department of Health and Human Services Consolidated health centers (Note B)	93.224	1H80CS00482	<u>693,279</u>
Total Expenditures of Major Federal Awards			<u>945,724</u>
OTHER FEDERAL AWARDS			
U.S. Department of Agriculture - Rural Housing Service Community facilities loans and grant	10.766	N/A	30,450
Natural Resource Conservation Service Watershed protection and flood prevention	10.904	68-4423-3-9341	<u>87,233</u>
Total U.S. Department of Agriculture			<u>117,683</u>
U.S. Department of the Interior- Bureau of Land Management National fire plan - rural fire assistance	15.242	G5023040041	<u>3,842</u>
U.S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	N/A	410,412
Highway planning and construction	20.205	N/A	9,680
U.S. Department of Transportation - Pipeline and Hazardous Materials Safety Administration/Passed-through the Mississippi Emergency Management Agency Interagency hazardous materials public sector training and planning grants	20.703	HMEMS2020100	1,767
Interagency hazardous materials public sector training and planning grants	20.703	HMEMS3020110	<u>3,471</u>
Total U.S. Department of Transportation			<u>425,330</u>



CLAIBORNE COUNTY  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2004

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency			
State domestic preparedness equipment support program	97.004	3SUP-32	3,596
Passed-through the Mississippi Emergency Management Agency			
Emergency management performance grants	97.042	EMA-2004-GR-5004	28,373
Assistance to firefighters grant	97.044	EMW-2003-FG-06317	148,500
Passed-through the Mississippi Emergency Management Agency			
State and local all hazards emergency operations planning	97.051	EMA-2002-GR-5074	158
Passed-through the Mississippi Emergency Management Agency			
State homeland security program	97.073	2DPG-10	<u>24,969</u>
Total Department of Homeland Security			<u>205,596</u>
Total Expenditures of Other Federal Awards			<u>752,451</u>
Total Expenditures of Federal Awards			<u>\$ 1,698,175</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

Note B - Consolidated Health Center

Of the federal expenditures presented in the schedule, the county provided federal awards totaling \$693,279 to subrecipients during the year ended September 30, 2004.

CLAIBORNE COUNTY

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## CLAIBORNE COUNTY

### SPECIAL REPORTS

CLAIBORNE COUNTY

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## State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

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

Members of the Board of Supervisors  
Claiborne County, Mississippi

We have audited the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Claiborne County, Mississippi, as of and for the year ended September 30, 2004, which collectively comprise the county's basic primary government financial statements and have issued our report thereon dated January 26, 2006. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Claiborne County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Claiborne County, Mississippi's ability to initiate, record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 04-1, 04-2 and 04-3.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

### Compliance and Other Matters

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

However, we noted a certain instance of noncompliance which we have reported to the management of Claiborne County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules dated January 26, 2006, included within this document.

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



PHIL BRYANT  
State Auditor



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

January 26, 2006



## State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

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

Members of the Board of Supervisors  
Claiborne County, Mississippi

#### Compliance

We have audited the compliance of Claiborne County, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2004. Claiborne County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Claiborne County, Mississippi's management. Our responsibility is to express an opinion on Claiborne County, Mississippi's compliance based on our audit.

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

In our opinion, Claiborne County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.

#### Internal Control Over Compliance

The management of Claiborne County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Claiborne County, Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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



PHIL BRYANT  
State Auditor



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

January 26, 2006





## State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

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

Members of the Board of Supervisors  
Claiborne County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Claiborne County, Mississippi, as of and for the year ended September 30, 2004. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

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

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

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

Inventory Control Clerk.

Finding

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

Recommendation

The Inventory Control Clerk should establish adequate control procedures to ascertain the historical and/or estimated cost of land and buildings.

Inventory Clerk's Response

The Board of Supervisors are unable to find an appraiser to ascertain the historical and/or estimated cost of land and buildings. When the Board of Supervisors approves a contract, the Inventory Control Clerk will establish control procedures to ascertain the historical and/or estimated cost of land and buildings.

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

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

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



PHIL BRYANT  
State Auditor



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

January 26, 2006

CLAIBORNE COUNTY  
Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2004

Schedule 1

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
04/12/04	Case tractor	\$ 71,915	Tubb Equipment	\$ 66,656	The bid contained a \$73,200 buy back.

CLAIBORNE COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2004

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
01/20/04	Two pumps	\$ 7,279	J. H. Wright and Associates	To restore the Hermanville Sewer System to safe operational levels.
01/28/04	Pump	8,681	J. H. Wright and Associates	To restore pumping station to safe operational levels.
07/28/04	Bridge repair	12,500	Key, LLC	To restore the structural integrity of bridge on Grand Gulf Road.

## CLAIBORNE COUNTY

Schedule 3

## Schedule of Purchases Made Noncompetitively From a Sole Source

For the Year Ended September 30, 2004

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
06/23/04	Direct deposit software	\$ 4,200	Delta Computers

CLAIBORNE COUNTY

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CLAIBORNE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CLAIBORNE COUNTY

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CLAIBORNE COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2004

Section 1: Summary of Auditor's Results

***Financial Statements:***

- |    |   |             |
|----|---|-------------|
| 1. | Type of auditor's report issued on the primary government financial statements:     | Unqualified |
| 2. | Internal control over financial reporting:  |             |
| a. | Material weakness identified?   | No          |
| b. | Reportable conditions identified that are not considered to be material weaknesses? | Yes         |
| 3. | Noncompliance material to the primary government financial statements?              | No          |

***Federal Awards:***

- |     |   |             |
|-----|---|-------------|
| 4.  | Internal control over major programs:   |             |
| a.  | Material weakness identified?   | No          |
| b.  | Reportable conditions identified that are not considered to be material weaknesses?   | No          |
| 5.  | Type of auditor's report issued on compliance for major federal programs:   | Unqualified |
| 6.  | Any audit finding reported as required by Section __.510(a) of Circular A-133?  | No          |
| 7.  | Federal programs identified as major programs:  |             |
| a.  | HOME investment partnerships program, CFDA# 14.239  |             |
| b.  | Consolidated health centers, CFDA# 93.224   |             |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:  | \$300,000   |
| 9.  | Auditee qualified as a low-risk auditee?  | No          |
| 10. | Prior fiscal year audit finding and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No          |

CLAIBORNE COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2004

Section 2: Financial Statement Findings

Inventory Control Clerk.

04-1. Finding

As reported in prior years' audit reports, capital asset control procedures were inadequate for maintaining adequate subsidiary records documenting the valuation of capital assets. The county did not maintain documentation on the dates of purchase and valuation for some county-owned land and buildings. We were unable to determine if values were recorded at historical cost or replacement cost.

Recommendation

The Inventory Control Clerk should establish adequate control procedures to ascertain the historical and/or estimated cost of land and buildings.

Inventory Clerk's Response

The Board of Supervisors is unable to find an appraiser to ascertain the historical and/or estimated cost of land and buildings. When the Board of Supervisors approves a contract, the Inventory Control Clerk will establish control procedures to ascertain the historical and/or estimated cost of land and buildings.

Chancery Clerk.

04-2. Finding

A deficiency exists in the controls over the recording of tax revenues. Proceeds of the road maintenance levy were erroneously placed in the Bridge and Culvert Fund and proceeds of the bridge and culvert levy were erroneously placed in the Road Fund. This caused these levies to be expended for the wrong purpose. Adjustments were proposed and made to the financial statements to correct these errors.

Recommendation

The Chancery Clerk should establish and maintain procedures to ensure that all taxes are recorded to the proper funds.

Chancery Clerk's Response

I have established procedures to ensure that documentary support for property tax transactions reflect proper account classifications.

Circuit Clerk.

04-3. Finding

We noted the following deficiencies in the internal control structure in the Circuit Clerk's office:

- a. As reported in prior years' audit reports, bank statements were not reconciled to the cash journal.
- b. As reported in prior years' audit reports, a subsidiary bond ledger was not maintained.

## CLAIBORNE COUNTY

### Schedule of Findings and Questioned Costs For the Year Ended September 30, 2004

- c. The aged accounts receivable schedule was not complete. Audit procedures revealed that some balances were not included in the schedule. Payments are posted in the docket books, which makes it extremely difficult to obtain the accounts receivable balances which are necessary to complete the schedule.

#### Recommendation

The Circuit Clerk should ensure that the bank statements are reconciled to the cash journal, a subsidiary bond ledger is maintained, and the aged accounts receivable schedule is complete.

#### Circuit Clerk's Response

I, Sammie L. Good, Circuit Clerk, am in the process of maintaining from Delta Computer Systems, Inc. software for court case accounting and long-term payments of fines, bonds, restitution and accounts receivable so that bond ledger and other fees are settled monthly as recommended by the audit report.

#### Section 3: Federal Award Findings and Questioned Costs

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