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HUMPHREYS COUNTY, MISSISSIPPI

**Audited Primary Government Financial Statements and Special Reports
For the Year Ended September 30, 2005**

**Bridgers & Company, P.C.
Certified Public Accountant
Vicksburg, Mississippi**

HUMPHREYS COUNTY

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HUMPHREYS COUNTY

FINANCIAL SECTION

HUMPHREYS COUNTY

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

Members of the Board of Supervisors
Humphreys County, Mississippi

We have audited the accompanying financial statements, of the governmental activities, each major fund and the aggregate remaining fund information of Humphreys County, Mississippi, as of and for the year ended September 30, 2005, 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.

As discussed in Note 1(H) to the financial statements, management has not maintained adequate subsidiary records documenting the existence, completeness and valuation of the governmental activities capital assets reported on the Statement of Net Assets at \$ 4,174,357, as of September 30, 2005. Also, management has not maintained depreciation schedules or reported depreciation expense on these governmental activities' capital assets. Accounting principles generally accepted in the United States of America require that those governmental activities' capital assets be depreciated which would decrease the asset and increase the expense of the governmental activities. The amount by which this departure would affect the assets and expenses of the governmental activities is not reasonably determinable. Accordingly, we were unable to satisfy ourselves as to the fair presentation of these capital assets and related transactions of the governmental activities.

The financial statements referred to above include only the primary government of Humphreys 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 units, 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 Humphreys County, Mississippi, as of September 30, 2005, 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, because of the effects of the matter discussed in the third paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of Humphreys County, Mississippi, as of September 30, 2005, and the changes in financial position thereof for the year ended.

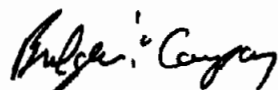
In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information for the primary government of Humphreys County, Mississippi, as of September 30, 2005, and 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 *Governmental Auditing Standards*, we have also issued our report dated January 19, 2007, on our consideration of Humphreys County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

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

The Budgetary Comparison Schedule and corresponding notes are not a required part of the basic financial statements but are supplementary 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 Humphreys 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.



BRIDGERS & COMPANY, P.C.
Certified Public Accountant
Vicksburg, Mississippi

January 19, 2007

HUMPHREYS COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

Humphreys County
Statement of Net Assets
September 30, 2005

Exhibit 1

	Primary Government
	Governmental Activities
ASSETS	
Cash	\$ 2,199,698
Property tax receivable	3,055,000
Accounts receivable, (net of allowance for uncollectibles of \$ 897,135)	145,660
Fines receivable, (net of allowance for uncollectibles of \$11,076,770)	19,939
Intergovernmental receivables	40,164
Other receivables	21,359
Capital assets, net	4,174,357
 Total Assets	 <u>9,656,177</u>
LIABILITIES	
Claims payable	366,197
Intergovernmental payables	46,240
Accrued interest payable	53,166
Deferred revenue	3,263,961
Other payables	3,742
Long-term liabilities	
Due within one year:	
Capital related debt	447,221
Non-capital debt	
Due in more than one year:	
Capital related debt	2,419,646
Non-capital debt	18,887
Total Liabilities	<u>6,619,060</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,307,490
Restricted:	
Expendable:	
Debt service	219,946
Public safety	1,125,807
Economic development	
Public works	
Culture and recreation	25,143
Capital projects	65,092
Unrestricted	<u>293,639</u>
 Total Net Assets	 <u>\$ 3,037,117</u>

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

Humphreys County
Statement of Activities
For the Year Ended September 30, 2005

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
					Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 2,864,709	183,037			-2,681,672
Public safety	957,914	145,691	8,233		-803,990
Public works	1,752,594	212,552	481,300		-1,058,742
Health and welfare	116,839				-116,839
Culture and recreation	10,562				-10,562
Conservation of natural resources	149,028				-149,028
Economic development and assistance	228,614		201,603		-27,011
Interest on long-term debt	158,262				-158,262
Total Governmental Activities	\$ 6,238,522	541,280	691,136	0	-5,006,106

General revenues:	
Property taxes	\$ 3,573,040
Road & bridge privilege taxes	118,196
Grants and contributions not restricted to specific programs	641,486
Unrestricted investment income	18,927
Miscellaneous	930,900
Total General Revenues	5,282,549
Changes in Net Assets	276,443
Net Assets - Beginning	2,819,696
Prior period adjustments	-59,022
Net Assets - Beginning, as restated	2,760,674
Net Assets - Ending	\$ 3,037,117

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

	Major Funds							
	General Fund	E-911	Garbage & Solidwaste	Countywide Fire	Road Maintenance Fund District 2	Road Maintenance Fund District 3	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash	\$ 434,571	714,266	-375,176	427,483	39,718	73,393	765,067	2,079,322
Cash on deposit with risk pool	120,376							120,376
Property tax receivable	1,761,000		90,000	15,000	40,000	40,000	1,109,000	3,055,000
Accounts receivable (net of allowance for uncollectibles of \$ 897,135)			145,660					145,660
Fines receivable (net of allowance for uncollectibles of \$ 918,389)	19,939							19,939
Intergovernmental receivables	40,164							40,164
Advances to other funds	83,103	31,995					84,000	199,098
Due from other funds			2,914	546	2,413	1,116	14,968	21,977
Other receivables	1,103	7,126	13,130					21,359
Total Assets	2,460,256	753,387	-123,472	443,029	82,131	114,509	1,973,055	5,702,895
LIABILITIES AND FUND BALANCES								
Liabilities:								
Claims payable	168,786	1,316	26,525	80,252	4,581	3,094	81,643	366,197
Intergovernmental payables	46,240							46,240
Due from other funds	21,977							21,977
Advances from other funds			22,509		90,588	73,578	12,423	199,098
Deferred revenue	1,780,939		235,660	15,000	40,000	40,000	1,172,301	3,283,900
Other payables	3,742							3,742
Total Liabilities	2,021,684	1,316	284,694	95,252	135,169	116,672	1,266,367	3,921,154
Fund balances								
Reserved for:								
Advances	83,103	31,995					84,000	199,098
Debt service							219,946	219,946
Loans receivable								0
Unreserved, reported in:								0
General Fund	355,469							355,469
Special Revenue Funds		720,076	-408,166	347,777	-53,038	-2,163	402,742	1,007,228
Total Fund Balances	438,572	752,071	-408,166	347,777	-53,038	-2,163	706,688	1,781,741
Total Liabilities and Fund Balances	\$ 2,460,256	753,387	-123,472	443,029	82,131	114,509	1,973,055	5,702,895

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

Humphreys County
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2005

Exhibit 3-1

Amount

Total fund balance - Governmental Funds \$ 1,781,741

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. 4,174,357

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 19,939

Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds. -2,885,754

Accrued interest payable is not due and payable in the current - period and, therefore, is not reported in the funds. -53,166

Total Net Assets - Governmental Activities \$ 3,037,117

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

Humphreys County

Exhibit 4

Statement of Revenues, Expenditures, and Changes in Fund Balances For Governmental Funds

For the Year Ended September 30, 2005

	Major Funds							
	General		Garbage &	Countywide	Road	Road	Other	Total
	Fund	E-911	Solid Waste	Fire	Maintenance	Maintenance	Governmental	Governmental
					Fund- Dist.2	Fund-Dist. 3	Funds	Funds
REVENUES								
Property taxes	\$ 2,259,504		164,306	31,201	112,180	101,058	904,791	3,573,040
Road and bridge privilege taxes					78,103	17,552	22,541	118,196
Licenses, commissions and other revenue	106,941						2,757	109,698
Fines and forfeitures	83,941							83,941
Intergovernmental revenues	376,952			337	16,518	128,945	1,351,150	1,873,902
Charges for services	54,570	79,221	195,786					329,577
Interest income	18,726						201	18,927
Miscellaneous revenues	306,820		39,592	34,403	2,931	14,327	1,314	399,387
Total Revenues	3,207,454	79,221	399,684	65,941	209,732	261,882	2,282,754	6,506,668
EXPENDITURES								
Current:								
General government	2,862,820						2,510	2,865,330
Public safety	925,519	9,273		125,180				1,059,972
Public works	2,864		322,052		201,791	252,350	2,079,490	2,858,547
Health and welfare	116,839							116,839
Culture and recreation							10,562	10,562
Conservation of natural resources	149,028							149,028
Economic development and assistance	27,011						201,603	228,614
Debt service:								
Principal	19,229			101,000		2,047	324,643	446,919
Interest	1,723			15,651		1,613	139,041	158,028
Total Expenditures	4,105,033	9,273	322,052	241,831	201,791	256,010	2,757,849	7,893,839
Excess of Revenues over								
(under) Expenditures	-897,579	69,948	77,632	-175,890	7,941	5,872	-475,095	-1,387,171

OTHER FINANCING SOURCES (USES)

Long-term capital debt issued	39,428				44,499	44,499	128,426
Proceeds from sale of capital assets	1,578				2,350	4,369	8,297
Transfers in					1,241		1,241
Transfers out	-1,241						-1,241
Lease principal payments							0
Total Other Financing Sources and Uses	<u>39,765</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>48,090</u>	<u>48,868</u>	<u>136,723</u>
Net Changes in Fund Balances	<u>-857,814</u>	<u>69,948</u>	<u>77,632</u>	<u>-175,890</u>	<u>7,941</u>	<u>-426,227</u>	<u>-1,250,448</u>
Fund Balances - Beginning	<u>1,296,386</u>	<u>682,123</u>	<u>-485,798</u>	<u>523,667</u>	<u>-60,979</u>	<u>-56,125</u>	<u>3,032,189</u>
Fund Balances - Ending	<u>\$ 438,572</u>	<u>752,071</u>	<u>-408,166</u>	<u>347,777</u>	<u>-53,038</u>	<u>-2,163</u>	<u>1,781,741</u>

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

Humphreys County
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, 2005

Exhibit 4-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ -1,250,448

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 \$1,207,391 exceeded depreciation of \$0 in the current period.	1,207,391
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Debt proceeds provide current financial resources to Government Funds, but issuing debt increases long-term liabilities in the statement of 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 \$ 446,919, exceeds debt proceeds of \$ 128,426.	318,493
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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 balance by a combination of the following items:

The amount of increase in:	
Interest payable	-234

The amount of decrease in:	
Compensated absences	1,241

Change in Net Assets of Governmental Activities	\$ <u>276,443</u>
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The notes to the financial statements are an integral part of this statement.

Humphreys County
Statement of Fiduciary Assets and Liabilities
September 30, 2005

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 84,023
	<hr/>
Total Assets	<u>84,023</u>
LIABILITIES	
Intergovernmental payables	84,023
	<hr/>
Total Liabilities	<u>\$ 84,023</u>

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

HUMPHREYS COUNTY

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Humphreys County
Notes to Financial Statements
For the Year Ended September 30, 2005

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

- * Humphreys County Memorial Hospital
- * Humphreys County Library System

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

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

B. Basis of Presentation.

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

Humphreys County

Notes to Financial Statements For the Year Ended September 30, 2005

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 good 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.

C. 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 sixty days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

Humphreys County

Notes to Financial Statements
For the Year Ended September 30, 2005

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.

E-911 Fund - Accounts for monies from specific revenue sources that are restricted for E-911 operations.

Gargage & Solid Waste Fund - Used to account for the county's activities of disposal of solid waste within the county.

Countywide Fire Fund - Accounts for resources accumulated from property tax assessments and state rebates and used for expenses related to the County's fire department.

Road Maintenance Fund Dist 2 - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

Road Maintenance Fund Dist 3 - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

FIDUCIARY FUND TYPE

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

D. Account Classifications.

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

E. Deposits and Investments.

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

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

Humphreys County

Notes to Financial Statements
For the Year Ended September 30, 2005

F. Receivables.

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

G. Interfund Transactions and Balances.

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

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. 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.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to retroactively report major infrastructure assets by September 30, 2007. Current year general infrastructure assets are required to be reported. General infrastructure assets acquired after September 30, 1980, are not reported on the government wide financial statements. Current year general infrastructure assets are reported on the government wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure 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:

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

* Leased property capitalization policy will correspond with the amounts for the asset classification, as listed above.

Humphreys County

Notes to Financial Statements
For the Year Ended September 30, 2005

I. Long-term liabilities.

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

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

J. Equity Classifications.

Government-wide Financial Statements:

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

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

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulation 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.

K. Property Tax Revenues.

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

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 vehicle and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Humphreys County

Notes to Financial Statements
For the Year Ended September 30, 2005

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

L. Intergovernmental Revenues in Governmental Funds.

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

M. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee 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, Government Funds report the compensated absence liability payable only if the payable has matured for example an employee resigns or retires.

(2) Changes in Accounting Standards.

For the fiscal year ended September 20, 2005, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*. GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk and foreign currency risk. The provisions of this new statement have been incorporated into the financial statements and the accompanying notes.

(3) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

	<u>Amount</u>
Exhibit 2 - Statement of Activities	\$ -52,932
Exhibit 2 - Statement of Activities	-20,128
Exhibit 2 - Statement of Activities	-5,905
Exhibit 2 - Statement of Activities	19,943

Explanation

An adjustment to net assets is required to recognize the balance of interest payable of \$ 52,932 and compensated absences of \$20,128, at September 30, 2004. Also, prior year restricted net assets were used to retire outstanding bond issue. An adjustment of \$ 19,943, was made to record fines receivable.

Humphreys County
Notes to Financial Statements
For the Year Ended September 30, 2005

(4) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2005, was \$2,283,721, and the bank balance was \$2,498,681. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

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

(5) Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2005:

Due From / To Other Funds

A.	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
	Garbage & Solid Waste	General Fund	\$ 2,914
	Countywide Fire	General Fund	546
	Road Maintenance Fund - District 2	General Fund	2,413
	Road Maintenance Fund - District 3	General Fund	1,116
	Other Governmental Funds	General Fund	14,988
	Total		<u>\$ 21,977</u>

All receivables represent the tax revenue collected but not settled until after September 30, 2005. All interfund balances are expected to be repaid 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	\$ 22,509
	General Fund	Road Maintenance Fund - District 2	6,588
	General Fund	Road Maintenance Fund - District 3	41,583
	General Fund	Other Governmental	12,423
	E-911	Road Maintenance Fund - District 3	31,995
	Other Governmental	Road Maintenance Fund - District 2	84,000
	Total		<u>\$ 199,098</u>

The amounts payable represents outstanding loan balances unpaid from the previous year.

C.	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
	Road Maintenance Fund - District 3	General	\$ 1,241
	Total		<u>\$ 1,241</u>

The transfer from General Fund to Road Maintenance Fund - District 3, was a budget transfer that was routine and consistent with the activities of the fund making the transfer.

Humphreys County

Notes to Financial Statements
For the Year Ended September 30, 2005

(6) Intergovernmental Receivables:

Intergovernmental receivables / payables at September 30, 2005, consisted of the following:

General:	Receivables
Legislative Credit	\$ 40,164
Total	\$ 40,164

(7) Capital Assets:

The following is a summary of capital assets for the year ended September 30, 2005:

Governmental activities:

	Balance Oct. 1, 2004	Additions	Deletions	Adjustments	Balance Sept. 30, 2005
Non-depreciable capital assets:					
Land	\$ 109,072				109,072
Construction in progress	55,187				55,187
Total Non-depreciable capital assets	164,259				164,259
Depreciable capital assets:					
Infrastructure	0	444,214			444,214
Buildings	858,855				858,855
Improvements other than buildings	0	440,152			440,152
Mobile equipment	1,599,839	185,214			1,785,053
Furniture and equipment	247,842	9,385			257,227
Leased property under capital leases	96,171	128,426			224,597
Total depreciable capital assets	2,802,707	1,207,391	0	0	4,010,098
Governmental activities capital assets, net	2,966,966	1,207,391	0	0	4,174,357

(8) Claims and Judgments:

The county finances its exposure to risk of loss related to worker's compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$ 750,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2005 to January 1, 2006. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The county finances its exposure to risk of loss relating to employees health and accident coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool. The pool is a claims-serving organization with the county retaining the risk of loss on all claims to which the county is exposed. Premium payments to the pool are determined on an actuarial basis. The county has reinsurance which functions on a specific stop loss coverage. This coverage is purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$ 25,000, and the aggregate policy covers all submitted claims in excess of \$ 308,098. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The county had no year end liability because cash on deposit in the risk pool exceeded the pool's accrued unpaid claims in the amount of \$ 120,376, reported on the balance sheet.

Humphreys County
Notes to Financial Statements
For the Year Ended September 30, 2005

(9) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2005:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 224,597
Leased Property Under Capital Leases	<u>\$ 224,597</u>

The following is a schedule by years of the total payments due as of September 30, 2005:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principle</u>	<u>Interest</u>
2006	\$ 27,548	3,694
2007	30,572	2,670
2008	30,163	1,618
2009	18,564	846
2010	14,348	208
Thereafter		
Total	<u>\$ 121,195</u>	<u>9,036</u>

(10) Long - term Debt.

Debt outstanding as of September 30, 2005, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
1997 Road improvement bonds	\$ 1,900,000	5.25 to 5.75	05-17
1992 Jail construction bonds	385,000	5.30 to 5.50	09-07
2004 Public improvement bond	448,000	3.3	09-09
Total General Obligation Bonds	<u>\$ 2,733,000</u>		

Humphreys County
Notes to Financial Statements
For the Year Ended September 30, 2005

B. Capital Leases:

Two Crown Victoria patrol cars	\$	36,291	3.35	06-08
Case 580M Backhoe		42,452	3.515	06-10
Case 580M Backhoe		42,452	3.515	06-10

Total Capital Leases	\$	<u>121,195</u>		
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C. Other Loans:

Tax Collector computer equipment loan	12,672	5.59	06-06
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Total Other Loans	\$	<u>12,672</u>		
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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
2006	\$ 405,000	134,654	12,672	297
2007	430,000	115,284		
2008	239,000	94,634		
2009	254,000	84,622		
2010	140,000	73,810		
2011-2015	850,000	249,680		
2016-2020	415,000	22,182		
Total	\$ <u>2,733,000</u>	<u>774,826</u>	<u>12,672</u>	<u>297</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 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, 2005, the amount of outstanding debt was equal to 5.20% of the latest property assessments.

Humphreys County
Notes to Financial Statements
For the Year Ended September 30, 2005

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2005:

	Balance 10/1/2004	Additions	Reductions	Adjustments	Balance 9/30/2005	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 20,128		1,241		18,887	
General obligation bonds	3,519,000		381,000	-405,000	2,733,000	405,000
Capital leases	42,596	128,426	49,827		121,195	29,549
Other loans	28,764		16,092		12,672	12,672
Total	\$ 3,610,488	128,426	448,160		2,885,754	447,221

(11) Deficit Fund Balance of Individual Funds.

The following funds reported a deficit in fund balance at September 30, 2005:

	Deficit Amount
Garbage & Solid Waste	\$ 408,166
Road Maintenance Fund - District 2	53,038
Road Maintenance Fund - District 3	2,163

(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 purpose. Any disallowance resulting from a grantor audit may become a liability of the county. No provisions for any liability that may result has been recognized in the county's financial statement.

Litigation - The county is part 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 council believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

HUMPHREYS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

(13) Joint Venture.

The county participates in the following joint venture:

The North Central Task Force consists of Carroll, Claiborne, Grenada, Holmes, Humphreys, Leflore, Quitman, and Tunica Counties and the Cities of Itta Bena and Port Gibson. It is a multi-jurisdictional drug enforcement task force established to provide more widespread apprehension and prosecution of violators. The county appropriated \$ 10,957 for its support in fiscal year 2005.

(14) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Mississippi Delta Community college operates in a district composed of the counties of Bolivar, Coahoma, Humphreys, Issaquena, Leflore, Sharkey, Sunflower and Washington. The Humphreys County Board of Supervisors appoints two of the 20 members of the college board of trustees. The county appropriated \$ 113,098 for the support and maintenance of the college in fiscal year 2005.

Region Six Mental Health/Mental Retardation Center/Life Help operates in a district composed of the Counties of Attala, Carroll, Grenada, Holmes, Humphreys, Leflore, Montgomery, and Sunflower. The Humphreys County Board of Supervisors appoints one of the eight members of the board of commissioners. The county appropriated \$ 21,372 for its support in fiscal year 2005.

South Delta Planning and Development District operates in a district composed of the counties of Bolivar, Humphreys, Issaquena, Sharkey, Sunflower and Washington. The Humphreys County Board of Supervisors appoint one of the 22 members of the board of trustees. The county appropriated \$ 3,545 for the support of the district in fiscal year 2005.

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 Humphreys County Board of Supervisors appoints one of the members of the board of commissioners. The county appropriated \$37,396 to the district in fiscal year 2005.

(15) Defined Benefit Pension Plan.

Plan Description - Humphreys 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 10.75% 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, 2005, 2004 and 2003 were \$156,049, \$140,271 and \$150,287, respectively, equal to the required contributions for each year.

HUMPHREYS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

(16) Subsequent Events.

Subsequent to September 30, 2005, Humphreys County issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
12-22-06	4.22%	\$750,000	Tax Anticipation Note	Ad valorem taxes
09-28-06	3.65 to 4.15	2,105,000	Refunding Bonds	Ad valorem taxes

HUMPHREYS COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

Humphreys County
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,963,000	1,963,000	2,613,039	650,039
Licenses, commissions and other revenue	121,000	121,000	96,554	-24,446
Fines and forfeitures	80,000	80,000	83,941	3,941
Intergovernmental revenues	183,850	183,850	376,952	193,102
Charges for services	60,000	60,000	54,570	-5,430
Interest income	15,000	15,000	18,726	3,726
Miscellaneous revenues	3,000	3,000	306,804	303,804
Total Revenues	<u>2,425,850</u>	<u>2,425,850</u>	<u>3,550,586</u>	<u>1,124,736</u>
EXPENDITURES				
Current:				
General government	2,064,008	2,064,008	2,984,693	-920,685
Public safety	952,770	952,770	886,313	66,457
Public works			2,864	-2,864
Health and welfare	127,800	127,800	116,846	10,954
Culture and recreation	40,000	40,000		40,000
Conservation of natural resources	151,750	151,750	149,639	2,111
Economic development and assistance	30,367	30,367	27,011	3,356
Debt Service			22,191	-22,191
Total Expenditures	<u>3,366,695</u>	<u>3,366,695</u>	<u>4,189,557</u>	<u>-822,862</u>
Excess of Revenues over (under) Expenditures	<u>-940,845</u>	<u>-940,845</u>	<u>-638,971</u>	<u>301,874</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	191,000	191,000	0	-191,000
Transfers out	185,000	185,000	1,241	183,759
Other financing sources	0	0	41,006	41,006
Total Other Financing Sources and Uses	<u>6,000</u>	<u>6,000</u>	<u>32,765</u>	<u>26,765</u>
Net Change in Fund Balance	-934,845	-934,845	-606,206	328,639
Fund Balance - Beginning	<u>934,845</u>	<u>934,845</u>	<u>1,418,388</u>	<u>483,543</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>0</u>	<u>812,182</u>	<u>812,182</u>

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

Humphreys County
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 E-911
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Charges for services	\$ 100,000	100,000	78,742	-21,258
Total Revenues	100,000	100,000	78,742	-21,258
EXPENDITURES				
Public safety	750,000	750,000	9,192	740,808
Total Expenditures	750,000	750,000	9,192	740,808
Excess of Revenues over (under) Expenditures	-650,000	-650,000	69,550	719,550
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers out				
Total Other Financing Sources and Uses	0	0	0	0
Net Change in Fund Balance	-650,000	-650,000	69,550	719,550
Fund Balance - Beginning	650,000	650,000	644,717	-5,283
Fund Balance - Ending	\$ 0	0	714,267	714,267

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

Humphreys County
 Budgetary Comparison Schedule
 Budget and Actual (Non-GAAP Basis)
 Garbage & Solid Waste
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 120,000	120,000	168,235	48,235
Intergovernmental revenues	45,000	45,000	39,592	-5,408
Charges for services	199,970	199,970	195,786	-4,184
Total Revenues	364,970	364,970	403,613	38,643
EXPENDITURES				
Public works	364,970	364,970	323,624	41,346
Total Expenditures	364,970	364,970	323,624	41,346
Excess of Revenues over (under) Expenditures	0	0	79,989	79,989
Net Change in Fund Balance	0	0	79,989	79,989
Fund Balance - Beginning	0	7,091	-480,197	-473,106
Fund Balance - Ending	\$ 0	7,091	-400,208	-393,117

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

Humphreys County
 Budgetary Comparison Schedule
 Budget and Actual (Non-GAAP Basis)
 Countywide Fire
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 21,000	21,000	31,938	10,938
Intergovernmental revenues	35,300	35,300	337	-34,963
Other income			34,403	34,403
Total Revenues	<u>56,300</u>	<u>56,300</u>	<u>66,678</u>	<u>10,378</u>
EXPENDITURES				
Public safety	576,300	576,300	44,929	531,371
Debt service			116,651	-116,651
Total Expenditures	<u>576,300</u>	<u>576,300</u>	<u>161,580</u>	<u>414,720</u>
Excess of Revenues over (under) Expenditures	<u>-520,000</u>	<u>-520,000</u>	<u>-94,902</u>	<u>425,098</u>
Net Change in Fund Balance	-520,000	-520,000	-94,902	425,098
Fund Balance - Beginning	520,000	520,000	522,384	2,384
Fund Balance - Ending	<u>\$ 0</u>	<u>0</u>	<u>427,482</u>	<u>427,482</u>

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

Humphreys County
 Budgetary Comparison Schedule
 Budget and Actual (Non-GAAP Basis)
 Road Maintenance Fund - District 2
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 78,500	78,500	109,768	31,268
Intergovernmental revenues	88,580	88,580	94,621	6,041
Other income	1,500	1,500	2,931	1,431
Total Revenues	<u>168,580</u>	<u>168,580</u>	<u>207,320</u>	<u>38,740</u>
EXPENDITURES				
Public works	168,580	168,580	201,839	-33,259
Total Expenditures	<u>168,580</u>	<u>168,580</u>	<u>201,839</u>	<u>-33,259</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>0</u>	<u>5,481</u>	<u>5,481</u>
Net Change in Fund Balance	0	0	5,481	5,481
Fund Balance - Beginning	0	0	34,237	34,237
Fund Balance - Ending	<u>\$ 0</u>	<u>0</u>	<u>39,718</u>	<u>39,718</u>

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

Humphreys County
 Budgetary Comparison Schedule
 Budget and Actual (Non-GAAP Basis)
 Road Maintenance Fund - District 3
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 74,300	74,300	99,942	25,642
Intergovernmental revenues	132,400	132,400	146,497	14,097
Other income			14,237	14,237
Total Revenues	<u>206,700</u>	<u>206,700</u>	<u>260,676</u>	<u>53,976</u>
EXPENDITURES				
Public works	206,700	206,700	255,082	-48,382
Principal paid			2,047	-2,047
Interest paid			1,613	-1,613
Total Expenditures	<u>206,700</u>	<u>206,700</u>	<u>258,742</u>	<u>-52,042</u>
Excess of Revenues over (under) Expenditures			<u>1,934</u>	<u>1,934</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			1,241	1,241
Other financing sources			46,849	46,849
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>48,090</u>	<u>48,090</u>
Net Change in Fund Balance	0	0	50,024	50,024
Fund Balance - Beginning	0	0	29,832	29,832
Fund Balance - Ending	<u>\$ 0</u>	<u>0</u>	<u>79,856</u>	<u>79,856</u>

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

HUMPHREYS COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2005

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 Budget Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

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

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

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

	<u>General Fund</u>	<u>E-911 Fund</u>
Net Change in Fund Balance - Budget (Cash Basis)	\$ -606,206	69,550
Increase (Decrease)		
Net adjustments for revenue accruals	-336,132	479
Net adjustments for expenditure accruals	84,524	-81
	<u> </u>	<u> </u>
Net Change in Fund Balance - GAAP Basis	\$ <u>-857,814</u>	<u>69,948</u>

HUMPHREYS COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2005

	<u>Garbage & Solid Waste</u>	<u>Countywide Fire</u>
Net Change in Fund Balance - Budget (Cash Basis)	\$ 79,989	-94,902
Increase (Decrease)		
Net adjustments for revenue accruals	-3,929	-737
Net adjustments for expenditure accruals	1,572	-80,251
	<hr/>	<hr/>
Net Change in Fund Balance - GAAP Basis	\$ <u>77,632</u>	<u>-175,890</u>

	<u>Road Maintenance Fund -Dist.2</u>	<u>Road Maintenance Fund-Dist.3</u>
Net Change in Fund Balance - Budget (Cash Basis)	\$ 5,481	50,024
Increase (Decrease)		
Net adjustments for revenue accruals	2,412	1,206
Net adjustments for expenditure accruals	48	2,732
	<hr/>	<hr/>
Net Change in Fund Balance - GAAP Basis	\$ <u>7,941</u>	<u>53,962</u>

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

The following funds had an excess of actual expenditures over budget for the year ended September 30, 2005.

<u>Fund</u>	<u>Excess</u>
General	\$ 822,862
Road Maintenance - District 2	33,259
Road Maintenance - District 3	52,042

All of the funds listed above, are in violation of Section 9-11-17, Miss. Code. Ann. (1972). However, the county has no liability associated with these violations.

HUMPHREYS COUNTY

SUPPLEMENTAL INFORMATION

HUMPHREYS COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2005

<u>Federal Grantor/ Pass - through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass - through Number</u>	<u>Federal Expenditures</u>
MAJOR FEDERAL AWARDS			
U.S. Department of Agriculture			
Community facilities program loans & grants	10.766	HUMP-2003(2)	\$ 289,523
Community facilities program loans & grants	10.766	HUMP-2004(1)	360,000
U.S. Department of Agriculture/Passed-through the Mid-Delta Empowerment Zone Alliance			
Community facilities program loans & grants	10.766	MO4-CD-0002	<u>104,350</u>
Total Expenditures of Major Federal Awards			<u>753,873</u>
OTHER FEDERAL AWARDS			
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority			
Community development block grant/state's program	14.228	99-027-ED-IF01	16,950
U.S. Department of Housing and Urban Development Passed-through the Mississippi Development Authority			
HOME investment partnerships program	14.239	MO4-SG-280-916	201,603
U.S. Department of Transportation-Federal Highway Administration/Passed-through the Mississippi Department of Transportation			
Highway Planning and Construction	20.205	N/A	<u>3,850</u>
Total Expenditures of Other Federal Awards			<u>222,403</u>
Total Expenditures of Federal Awards			<u>\$ 976,276</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

HUMPHREYS COUNTY

SPECIAL REPORTS

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PRACTICE SECTION

**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
Humphreys County, Mississippi

We have audited the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Humphreys County, Mississippi, as of and for the year ended September 30, 2005, which collectively comprise the county's basic primary government financial statements and have issued our report thereon dated January 19, 2007. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units. Our report includes an adverse opinion on the governmental activities because the county did not maintain adequate subsidiary records documenting the existence, completeness, valuation and depreciation of the governmental activities capital assets. 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 Humphreys County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion 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 Humphreys County, Mississippi's ability to 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 05-01, 05-02, 05-03, 05-04, 05-05, 05-06 and 05-07.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 05-01 and 05-02 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Humphreys County, Mississippi's primary governmental 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as item 05-01. We also noted certain instances of noncompliance which we have reported to the management of Humphreys County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules dated January 19, 2007, included within this document.

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



BRIDGERS & COMPANY, P.C.
Certified Public Accountant
Vicksburg, Mississippi

January 19, 2007

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PRACTICE SECTION

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
Humphreys County, Mississippi

Compliance

We have audited the compliance of Humphreys 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 major federal programs for the year ended September 30, 2005. Humphreys County, Mississippi's major federal program is 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 its major federal program is the responsibility of Humphreys County, Mississippi's management. Our responsibility is to express an opinion on Humphreys 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 Humphreys 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 Humphreys County, Mississippi's compliance with those requirements.

In our opinion, Humphreys County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2005.

Internal Control Over Compliance

The management of Humphreys 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 Humphreys 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 purposes 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 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.


BRIDGERS & COMPANY, P.C.
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Vicksburg, Mississippi

January 19, 2007

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PRACTICE SECTION

**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
Humphreys County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Humphreys County, Mississippi, as of and for the year ended September 30, 2005. 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 Humphreys 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 Humphreys County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

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

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

Inventory Control Clerk.

1. Finding

Section 31-7-107, Miss Code Ann. (1972), requires the Inventory Control Clerk to perform a physical inventory of assets on or before October 1, of each year and to file with the Board of Supervisors, in triplicate, a written report of such inventory. A copy of this report is to then be forwarded to the Office of the State Auditor no later than October 15th of each year. As reported in the prior six year's audit reports, the inventory report was not submitted as required.

Recommendation

The Inventory Control Clerk should file the inventory report with the Board of Supervisors as required and have a copy forwarded to the Office of the State Auditor.

Inventory Control Clerk's Response

A new Inventory Control Clerk has been named and will proceed immediately in providing the inventory report to the proper officials.

2. Finding

As reported in the prior four years' audit report, the Inventory Control Clerk did not maintain an accurate inventory or adequate subsidiary records documenting the completeness and valuation of capital assets as prescribed in the Mississippi County Financial Accounting Manual. Therefore, an adverse opinion was issued on the Independent Auditor's Report because we could not satisfy ourselves as to the fair presentation of the capital assets.

Recommendation

The Inventory Control Clerk should establish adequate control procedures to ascertain the historical and / or estimated cost of capital assets and to maintain accurate inventory records documenting the completeness and valuation of capital assets.

Inventory Control Clerk's Response

The new Inventory Control Clerk will maintain the proper accounting for the physical inventory as prescribed.

Purchase Clerk.

3. Finding

We noted instances where purchase orders were incomplete. Section 31-7-103, Miss. Code Ann. (1972), requires a purchase order for all purchases more than \$100. This results in noncompliance with state laws.

Recommendation

We recommend that procedures be implemented to ensure that all required documents are prepared and maintained for purchases.

Purchase Clerk's Response

The Purchase Clerk will comply with state laws.

In our opinion, except as explained in the third paragraph and except for the noncompliance referred to in the preceding paragraph, Humphreys 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 Humphreys 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.


BRIDGERS & COMPANY, P.C.
Certified Public Accountant
Vicksburg, Mississippi

January 19, 2007

HUMPHREYS COUNTY

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2005

Schedule 1

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

HUMPHREYS COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2005

Schedule 2

Our test results did not identify any emergency purchases.

HUMPHREYS COUNTY

Schedule of Purchases Made Noncompetitively From a Sole Source

For the Year Ended September 30, 2005

Schedule 3

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

HUMPHREYS COUNTY

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PRACTICE SECTION

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Humphreys County, Mississippi

In planning and performing our audit of the financial statements of Humphreys County, Mississippi for the year ended September 30, 2005, we considered Washington 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 Humphreys 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 January 19, 2007, on the financial statements of Humphreys County, Mississippi.

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

The results of our review procedures and compliance tests identified a certain immaterial instance of noncompliance with state laws and regulations and other matters that are opportunities for strengthening internal controls and operating efficiency. Our finding and recommendation and your response are disclosed below:

Board of Supervisors.

1. Finding

The county failed to file an amended final budget of all funds by October 31, 2005. Also the amended budget should be entered in the minutes by the aforementioned date. The Board of Supervisors must keep expenditures within the limits set by the budget. The amount approved to be expended for any item in the budget must not be exceeded. Failing to file an amended budget caused the county to be in violation of Section 9-11-17, Miss. Code Ann. (1972), because expenditures exceeded the amounts budgeted in the General, Road Maintenance Districts 2, and Road Maintenance District 3 Funds. The Board may amend the budget by entering the amendment on the minutes using only forms prescribed by the Office of the State Auditor as stated in the Mississippi County Financial Accounting Manual.

Recommendation

The Board of Supervisors should file an amended budget with the Office of the State Auditor and should enter the amended budget on their minutes by October 31 following the year end.

Board of Supervisor's Response

The above recommendation will be implemented immediately.

2. Finding

Section 19-5-21, Miss. Code Ann. (1972), allows the county to levy a tax and/or collect a fee to dispose of solid waste. As reported in the prior four years' audit reports, a deficit fund balance exists in the garbage and solid waste fund. The deficit amount is \$408,166.

Recommendation

The Board of Supervisors should determine the reasons for the deficit fund balance and take the appropriate actions to reduce the deficit.

Board of Supervisors' Response

The Board is working diligently to resolve the issue of the deficit fund balance in the garbage and solid waste fund.

3. Finding

Section 25-41-11, Miss. Code Ann. (1972), requires the Board of Supervisors to record the minutes within a reasonable time not to exceed 30 days after recess or adjournment. As reported in the last two audit reports, there were several instances where several instances where the minutes were not officially approved until more than 30 days after adjournment. This results in noncompliance with state statutes.

Recommendation

The Board of Supervisors should approve all minutes within the required time frame.

Board of Supervisors' Response

The Board will comply with statutes regarding approval and recording minutes.

4. Finding

Sections 7-7-221 and 31-7-115, Miss. Code Ann. (1972), requires that the county publish an audit synopsis and results of purchasing testing. The aforementioned were not published as required by state law.

Recommendation

The Board of Supervisors should publish required reports.

Board of Supervisors' Response

The Board will publish reports required by Sections 7-7-221 and 31-7-115.

5. Finding

Section 31-7-124, Miss. Code Ann. (1972), requires the purchase clerk and the inventory clerk be bonded in the amount of \$ 75,000 each. The purchase clerk was bonded in the amount of \$ 25,000 and the inventory clerk was not bonded.

Recommendation

The Board of Supervisors should ensure that all officials are bonded for the proper amount and for the proper position.

Board of Supervisors' Response

The Board will comply with state statutes.

6. Finding

During cash testwork, we were not provided the following information:

- a. Reconciliations between the State Treasurer's quarterly reports and the County's bank deposit records.
- b. The annual report to the State Treasurer documenting the County's name, tax identification number, bank accounts, and year-end balances.
- c. Notification to bank officials regarding a 25% or more increase in the average daily bank balance.

Generally accepted accounting principles and good internal control practices dictate that the County reconcile information obtained from outside sources to their internal records. Section 27-105-5, Miss. Code Ann. (1972), requires that public depositors notify the State Treasurer of its official name, address, federal tax identification number, list of all bank accounts with qualified public depositories, and balances in those accounts as of its fiscal year end by October 31 at the latest. The County could be under collateralized and is in noncompliance with state statutes as reported in the last two audit reports.

Recommendation

We recommend that the reconciliations are prepared promptly when reports are received from the State Treasurer's Office, that the banks are notified in writing when an increase of 25% or more is expected in the average daily bank balance and that the annual report is prepared and submitted to the State Treasurer. Documentation of this should be maintained in the files.

Board of Supervisors' Response

The Board will comply with the law.

7. Finding

Section 37-57-33, which has been repealed; was used by the county in their 2004 - 2005 tax levy. Section 19-9-109 of the Miss. Code Ann. (1972) set forth a limitation of a quarter of a mill and the county levied three quarters of a mill. This results in noncompliance with state statutes.

Recommendation

We recommend that the County comply with State Laws and regulations.

Board of Supervisors' Response

The County will use the correct Code Sections on subsequent levies.

Chancery Clerk.

8. Finding

Section 9-1-43, Miss. Code Ann. (1972), requires funds to have cash available before checks are written. As reported in the last six years' audit reports, checks were written from the garbage and solid waste fund which did not have sufficient cash available, resulting in a deficit cash balance at year end of \$ 408,166.

Recommendation

The Chancery Clerk should ensure that no checks are written when cash is not available in the specific fund.

Chancery Clerk's Response

The Board of Supervisors are aware that no funds are available for this fund because of nonpayment of sanitation bills. However, the county must still pay employee salaries and for sanitation pickup and this is the only fund which can legally pay these claims.

9. Finding

Section 9-1-43, Miss. Code Ann. (1972), requires the Office of the State Auditor to prescribe a uniform accounting method to account for fees earned by the Chancery Clerk from the Chancery Clerk's office. We discovered the following deviations from the prescribed system:

- a. As reported in prior years' audit reports, personal items were drafted from the fee clearing account.
- b. As reported in prior years' audit reports, receipts are not being issued.
- c. Some expenses selected for testing were not supported by proper documentation.

Failure to properly maintain the fee journal could result in the loss of public funds.

Recommendation

We recommend the Chancery Clerk prepare and maintain the fee journal as prescribed by the Office of the State Auditor including, but not limited to, depositing all revenue into the fee account, maintaining proper documentation for expenses, reconciling the bank account and ceasing to transact personal business through the fee bank account.

Chancery Clerk's Response

Chancery Clerk will correct the above items so that the fee journal will be in compliance with what is prescribed by the State Auditor's Office.

10 Finding

Section 9-1-43, Miss. Code Ann. (1972), limits the Chancery Clerk's compensation for his services to \$ 90,000. All fees received in excess of this amount, less any allowable expenses specified by this statute, are to be deposited in the county General Fund on or before April 15, for the preceding year. The Chancery Clerk earned \$ 14,906, in excess of the allowable salary, but failed to deposit these excess fees into the General Fund for fiscal year 2005.

Recommendation

The Chancery Clerk should pay the amount of money earned in excess of the salary cap to the county's General Fund.

Chancery Clerk's Response

I will comply.

11. Finding

Section 9-1-45, Miss. Code Ann. (1972), requires the Chancery Clerk to file an annual report not later than April 15 of each year. The Chancery Clerk failed to file the annual report by April 15, 2006. This results in noncompliance with state law.

Recommendation

The Chancery Clerk should file the annual report by April 15, of each year.

Chancery Clerk's Response

The Chancery Clerk will file future reports by the April 15, of each year.

Auditor's Note

The Chancery Clerk's annual report reviewed by the auditor was dated May 9, 2006.

Tax Collector.

12 Finding

Section 27-17-365, Miss. Code Ann.(1972), requires that a privilege tax license issued to a business involved in selling goods be based upon the assessed value and not the true value of the inventory. As reported in prior year's audit report, we noted that some notices and applications on file contained the wording " average true value of inventory " as the value used in computing the amount of the license. The use of true value rather than the assessed value as prescribed by law results in the county being in noncompliance.

Recommendation

We recommend that the correct value be used in computing privilege taxes in accordance with state laws and regulations.

Tax Collector's Response

The Tax Collector will comply.

Justice Court Clerk.

13 Finding

Section 9-11-19, Miss. Code Ann. (1972), requires the Justice Court Clerk to report and pay monthly, all fines and penalties collected. All of the monthly reports were not filed timely. This results in noncompliance with state statutes.

Recommendation

We recommend that the Justice Court Clerk ensure that all collections are reported on a timely basis.

Justice Court Clerk's Response

The finding will be corrected.

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


BRIDGERS & COMPANY, P.C.
Certified Public Accountant
Vicksburg, Mississippi

January 19, 2007

HUMPHREYS COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HUMPHREYS COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2005

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued on the primary government financial statements: | |
| | Governmental activities | Adverse |
| | General Fund | Unqualified |
| | E-911 Fund | Unqualified |
| | Garbage & Solid Waste | Unqualified |
| | Countywide Fire Fund | Unqualified |
| | Road Maintenance Fund - District 2 | Unqualified |
| | Road Maintenance Fund - District 3 | Unqualified |
| | Aggregate remaining fund information | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Reportable conditions identified that is not considered to be a material weakness? | Yes |
| 3. | Noncompliance material to the primary government financial statements? | Yes |

Federal Awards:

- | | | |
|-----|---|-------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness identified? | No |
| | b. Reportable condition identified that is not considered to be a material weakness ? | 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 program identified as a major program: | |
| | Community facilities program loans
and grants, CFDA # 10.766 | |
| 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 |

HUMPHREYS COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2005

Section 2: Financial Statement Findings

Board of Supervisors.

05-01 Finding

The county has not maintained adequate subsidiary records documenting the existence, completeness and valuation of the governmental activities capital assets. Also, the county has not maintained depreciation schedules or reported depreciation expense on the governmental activities' capital assets.

Recommendation

The Board should take action to insure that capital asset records including accumulated depreciation records be kept in a manner that would provide the information needed for their financial statements.

Board of Supervisor's Response

The Board is working to correct this finding.

05-02 Finding

As reported in the last seven years' audit reports, the county has interfund loans outstanding that are over one year old. The loans were not repaid when the county received sufficient funds. The Mississippi Code is silent regarding the authority of the county to make these loans.

Recommendation

Failure of the Board of Supervisors to ensure repayment of these loans is an illegal diversion of legally restricted funds. The Board of Supervisors should ensure that each of these loans are repaid by approving and recording in the board minutes a repayment schedule and then complying with the repayment schedule.

Board of Supervisors' Response

The Board is working to correct this finding.

05-03 Finding

Weak internal controls exist over the receipting, disbursing and recording functions. Failure to implement adequate controls over these functions can cause erroneous information to be included in the financial reports. We noted the following problems with the internal controls.

- a. As reported in the prior four years' audit reports, a board order dated July 21, 2000, approved repayment of an interfund loan to the General Fund from District 3 Road Fund for lease purchase payments erroneously posted in a prior year. This repayment has not been made. The District 3 fund should repay the General Fund \$10,216.
- b. As reported in the prior four years' audit reports, a board order dated November 1, 1999, stated that \$ 42,000 was to be loaned to the District 2 road fund by District 1 road fund and another \$ 42,000 was to be loaned to the District 2 road fund by the District 4 road fund. These two \$ 42,000 loans were erroneously posted as being made from the countywide road improvement bond proceeds fund. Repayment was to have been made by January 2000 according to the board minutes. These monies have not been repaid to the proper fund.

HUMPHREYS COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2005

Recommendation

The Board of Supervisors should establish a system of internal control to prevent these problems in the future. The cash disbursements ledger should be checked monthly to ensure authorized claims are paid out of the proper fund.

Board of Supervisors' Response

The Board is working to establish these controls.

Chancery Clerk.

05-04 Finding

As indicated in the last two audit reports, the Board of Supervisors requested the Chancery Clerk to pay a portion of the monthly salary of a deputy clerk, who starting in October 2000, collected solid waste fees for the county and performed various duties as a deputy Chancery Clerk. This individual is no longer employed by the county in this capacity. The Chancery Clerk has not reimbursed the county for the deputy's salary in the amount of \$ 3,525.52.

Recommendation

The Chancery Clerk should pay the amount owed to the county.

Chancery Clerk's Response

I will comply.

05-05 Finding

As reported in the last three audit reports, the Chancery Clerk has paid wages to individuals and has not withheld the required federal withholdings and social security and medicare taxes. They were not issued a form 1099 or W-2.

Recommendation

The Chancery Clerk should report all wages paid to individuals in compliance with federal laws and regulations.

Chancery Clerk's Response

I will comply.

Justice Court Clerk.

05-06 Finding

As reported in the last three audit reports, we noted the following deviations from the prescribed system contained in the *Mississippi County Financial Accounting Manual*:

- a. Deposits did not always agree with daily check up sheets.
- b. The bank statements were not reconciled to the cash journals.

Recommendation

The Justice Court Clerk should comply with the accounting system prescribed in the *Mississippi County Financial Accounting Manual* and utilize adequate internal controls over the accounting records.

Justice Court Clerk's Response

The Justice Court Clerk, employed during the year of this audit has been replaced. This finding will be corrected.

HUMPHREYS COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2005

Sheriff.

05-07 Finding

As reported in the prior year's audit report, we noted while performing testwork on the bank reconciliations in the Sheriff's office that they were not being prepared timely or reviewed by someone other than the preparer; that deposits are not being made on a timely basis; and there is not always adequate separation of duties. Adequate internal control practices and generally accepted accounting principles require that bank reconciliations be prepared on a timely basis and reviewed by someone other than the person preparing the reconciliation. Otherwise, errors could occur and not be detected within the time frame for which the bank accepts responsibility.

Recommendation

We recommend that deposits be made timely and that someone other than the preparer review the reconciliation and document that this was done. We also recommend that efforts be made to adequately segregate conflicting duties or that compensating controls be developed.

Sheriff's Response

The Humphreys County Sheriff's Department will comply with all information for which we were found to be in noncompliance.

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.