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ALCORN COUNTY, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2007

ALCORN COUNTY, MISSISSIPPI
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SEPTEMBER 30, 2007

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INDEPENDENT AUDITORS' REPORT ON THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

Members of the Board of Supervisors
Alcorn County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Alcorn County, Mississippi, as of and for the year ended September 30, 2007, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements do not include financial data for the county's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component unit. The county has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component unit is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component unit, as discussed above, 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 aggregate discretely presented component unit of Alcorn County, Mississippi, as of September 30, 2007, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Alcorn County, Mississippi, as of September 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2009, on our consideration of Alcorn County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Alcorn 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.

Brauner, Vanstacy & Co. P.A.

April 20, 2009
Booneville, Mississippi

**ALCORN COUNTY, MISSISSIPPI
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007**

Exhibit 1

	Primary Government Governmental Activities
ASSETS	
Cash	\$ 1,828,115
Investments	4,230,185
Interest receivable	224,455
Property tax receivable	4,784,898
Fines receivable, Net of Uncollectibles, \$78,561	742,219
Intergovernmental receivables	1,667,822
Accounts receivable	152,471
Other receivables	99,480
Prepaid items	196,936
Loans receivable	135,648
Advances to other funds	5,667
Capital Assets,	
Land and Construction in Progress	985,360
Other Capital Assets - net	45,063,333
Total Assets	60,116,589
LIABILITIES	
Claims payable	990,794
Intergovernmental payables	254,761
Accrued interest payable	85,659
Deferred revenue	4,784,898
Long-Term Liabilities	
Due within one year:	
Capital related debt	664,714
Non-capital debt	566,484
Due in more than one year:	
Capital related debt	4,618,099
Non-capital debt	366,921
Total Liabilities	12,332,330
NET ASSETS	
Invested in capital assets, net of related debt	40,765,880
Restricted Net Assets:	
Expendable:	
Loan receivable	135,648
General government	184,276
Debt service	288,614
Public safety	274,055
Public works	1,305,944
Culture and recreation	3,319
Economic development	4,293
Capital projects	11,817
Unrestricted	4,810,413
Total Net Assets	\$ 47,784,259

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

ALCORN COUNTY, MISSISSIPPI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
Primary Government					
Governmental Activities:					
General government	\$ 3,673,991	768,694			(2,905,297)
Public safety	2,606,698	683,132	219,784		(1,703,782)
Public works	6,706,012	1,327,039	696,937		(4,682,036)
Health and welfare	467,938				(467,938)
Culture and recreation	618,367				(618,367)
Conservation of natural resources	158,547				(158,547)
Economic development and assistance	2,305,341		1,916,099		(389,242)
Interest on long-term debt	232,355			388,512	156,157
Total Governmental Activities	<u>\$ 16,769,249</u>	<u>2,778,865</u>	<u>2,832,820</u>	<u>388,512</u>	<u>(10,769,052)</u>
General Revenues:					
Taxes:					
Property Taxes					6,509,579
Road and bridge privilege taxes					399,708
Grants and contributions not restricted to specific programs					1,215,820
Unrestricted interest income					410,137
Miscellaneous					238,068
Total General Revenues					<u>8,773,312</u>
Change in Net Assets					<u>(1,995,740)</u>
Net Assets- Beginning					<u>49,790,208</u>
Prior Period Adjustment-Note 19					<u>(10,209)</u>
Net Assets - Beginning as restated					<u>49,779,999</u>
Net Assets - Ending					<u>\$ 47,784,259</u>

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

ALCORN COUNTY, MISSISSIPPI
BALANCE SHEET - GOVERNEMENTAL FUNDS
SEPTEMBER 30, 2007

Exhibit 3

	Major Funds			Other	Total
	General	CDBG	Garbage and	Governmental	(Memorandum
	Fund	Fund	Solid Waste	Funds	Only)
ASSETS					
Cash	\$ 576,801	-	303	1,251,011	1,828,115
Investments	4,230,185	-	-	-	4,230,185
Interest Receivables	224,455	-	-	-	224,455
Property tax receivables	2,608,890	-	328,394	1,847,614	4,784,898
Fine receivables, Net of uncollectibles of \$78,561	742,219	-	-	-	742,219
Intergovernmental receivables	542,130	1,063,343	-	62,349	1,667,822
Loan receivable	-	135,648	-	-	135,648
Accounts receivable	-	-	152,471	-	152,471
Other receivables	3,185	65,882	-	30,413	99,480
Due from other funds	300,000	-	9,586	904,641	1,214,227
Advances to other funds	19,768	-	-	-	19,768
Total Assets	9,247,633	1,264,873	490,754	4,096,028	15,099,288
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims payable	156,750	278,519	380,993	174,532	990,794
Intergovernmental payables	254,761	-	-	-	254,761
Due to other funds	79,861	839,926	294,440	-	1,214,227
Advances from other funds	-	-	12,535	1,566	14,101
Deferred revenue	3,351,109	-	328,394	1,847,614	5,527,117
Total Liabilities	3,842,481	1,118,445	1,016,362	2,023,712	8,001,000
FUND BALANCES					
Reserved for:					
Debt Service	-	-	-	288,614	288,614
Loans receivable	-	135,648	-	-	135,648
Advances	19,768	-	-	-	19,768
Unreserved:					
General funds	5,385,384	-	-	-	5,385,384
Special revenue funds	-	10,780	(525,608)	1,771,885	1,257,057
Capital project funds	-	-	-	11,817	11,817
Total Fund Balances	5,405,152	146,428	(525,608)	2,072,316	7,098,288
Total Liabilities and Fund Balances	9,247,633	1,264,873	490,754	4,096,028	15,099,288

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

ALCORN COUNTY, MISSISSIPPI
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2007

EXHIBIT 3-1

	<u>Amount</u>
Total Fund Balance- Governmental Funds	\$ 7,098,288
Amounts reported for governmental services in the Statement of Net Assets (Exhibit 1)	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, \$119,095,077, net of depreciation of \$73,046,384	46,048,693
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Fines receivable	742,219
Prepaid insurance	114,185
Long-term liabilities are not due and payable in the current-period and therefore, are not reported in the funds.	(6,216,218)
Bond issuance cost are deferred in the Statement of Net Assets and are amortized over the term of the bonds.	82,751
Accrued interest is not due and payable in the current-period and, therefore is not reported in the funds	<u>(85,659)</u>
Total Net Assets - Governmental Activities	<u>\$ 47,784,259</u>

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

ALCORN COUNTY, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT 4

	Major Funds			Other	Total
	General Fund	CDBG Fund	Garbage and Solid Waste	Governmental Fund	Memorandum Only
REVENUES					
Property taxes	\$ 3,788,883	-	507,907	2,212,789	6,509,579
Road and bridge taxes	-	-	-	399,708	399,708
Licenses, commissions and other revenue	330,976	-	-	41,283	372,259
Fines and forfeitures	360,733	-	-	25,544	386,277
Intergovernmental revenues	1,215,821	1,916,099	20,577	1,284,655	4,437,152
Charges for services	319,096	-	1,327,039	364,036	2,010,171
Interest income	311,156	6,164	1,633	91,184	410,137
Miscellaneous	76,797	65,883	39	87,047	229,766
Total Revenues	6,403,462	1,988,146	1,857,195	4,506,246	14,755,049
EXPENDITURES					
Current:					
General government	3,554,810	-	-	215,473	3,770,283
Public Safety	1,846,708	-	-	720,820	2,567,528
Public works	105,284	-	1,884,390	2,724,216	4,713,890
Health and welfare	405,938	-	-	-	405,938
Culture and recreation	279,890	-	-	208,713	488,603
Conservation of natural resources	144,858	-	-	628,100	772,958
Economic development and assistance	33,481	1,981,982	-	289,878	2,305,341
Debt Service:					
Principal	77,608	59,350	35,857	1,001,297	1,174,112
Interest	10,453	5,337	5,126	207,191	228,107
Total Expenditures	6,459,030	2,046,669	1,925,373	5,995,688	16,426,760
Excess (deficiency) of Revenues over (under) expenditures	(55,568)	(58,523)	(68,178)	(1,489,442)	(1,671,711)
OTHER FINANCING SOURCES (USES)					
Long term capital debt issued	257,856	-	-	822,621	1,080,477
Long term non-capital debt issued	-	-	-	500,000	500,000
Compensation for loss of assets	8,300	-	-	-	8,300
Proceeds from sale of capital assets	700	-	-	58,717	59,417
Transfers in	114,734	-	-	66,230	180,964
Transfers out	(14,741)	-	-	(166,223)	(180,964)
Total other financing sources and uses	366,849	-	-	1,281,345	1,648,194
Net change in fund balance	311,281	(58,523)	(68,178)	(208,097)	(23,517)
Fund Balances - Beginning	5,093,871	204,951	(457,430)	2,280,413	7,121,805
Fund Balances - Ending	5,405,152	146,428	(525,608)	2,072,316	7,098,288

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

ALCORN COUNTY, MISSISSIPPI

Exhibit 4-1

**RECONCILIATIONS OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2007**

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (23,517)
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 depreciation of \$3,064,325 exceeded capital outlays of \$1,650,477 in the current period.	(1,413,848)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$29,598 and proceeds from the sale of \$59,417 in the current period.	(89,015)
Fine revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	10,158
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds \$1,580,477 exceeds debt repayments \$1,174,112.	(406,365)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
The amount of decrease in prepaid insurance.	(61,382)
The amount of decrease in accrued interest payable.	(4,248)
Amortization of bond issuance cost.	(7,523)
Change in Net Assets of Governmental Activities	<u>\$ (1,995,740)</u>

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

**ALCORN COUNTY, MISSISSIPPI
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
SEPTEMBER 30, 2007**

EXHIBIT 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 258,147
Advance to other funds	<u>12,535</u>
Total Assets	<u><u>270,682</u></u>
LIABILITIES	
Claims Payable	9,970
Intergovernmental payable	242,510
Advance from other funds	<u>18,202</u>
Total Liabilities	<u><u>\$ 270,682</u></u>

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

**ALCORN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

1. Significant Accounting Policies

A. Financial Reporting Entity

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

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

- Alcorn County Human Resource Agency

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.

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 for the goods or services offered by the program, and 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.

**ALCORN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

1. Significant Accounting Policies - continued

B. Basis of Presentation - continued

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 Fund 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 revenue is recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

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

The county reports the following major Governmental Funds:

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

CDBG Fund – This fund is used to account for the receipt and expending of grant funds used for economic development and assistance.

Garbage and Solid Waste Fund – This fund is used to account for activities of cost of collecting and transporting garbage.

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.

**ALCORN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

1. Significant Accounting Policies - continued

C. Measurement Focus and Basis of Accounting - continued

Capital Projects Funds – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bonds issues and federal grants.

FIDUCIARY FUND TYPES

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

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.

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 available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

H. Inventories and Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items, such as prepaid insurance, are not reported for Governmental Fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

**ALCORN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

1. Significant Accounting Policies - continued

I. Capital Assets

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

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets 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	\$ -	N/A
Infrastructure	-	20/50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5/10 years
Furnitures and equipment	5,000	3-7 years
Leased property under capital leases	*	*

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

J. Long-term liabilities

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

**ALCORN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

1. Significant Accounting Policies – continued

J. Long-term liabilities

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

K. Equity Classifications

Government-wide Financial Statements:

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

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

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

Unrestricted net assets – All other net assets not meeting the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

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

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

L. Property Tax Revenues

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

**ALCORN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

1. Significant Accounting Policies - continued

L. Property Tax Revenues - continued

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

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

M. Intergovernmental Revenues in Governmental Funds

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

2. Deposits and Investments

Deposits

The carrying amount of the county's total deposits with financial institutions at September 30, 2007, was \$6,316,447 and the bank balance was \$6,386,664. 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 institutions' trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

Investments

Investments balances at September 30, 2007, are as follows:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
Certificate of Deposit	1 Year	<u>\$4,230,185</u>	FDIC Insured

ALCORN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

2. Deposits and Investments – continued

Interest Rate Risk. The county does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Miss. Code Ann. (1972), limits the maturity period of any investment to no more than one year.

Credit Risk. State law limits investments to those authorized by Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The county does not have a formal investment policy that would further limit its investments choices or one that addresses credit risk.

Custodial Credit Risk – Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk.

3. Interfund Transfers and Balances

The following is a summary of interfund balances at September 30, 2007:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	
Major Funds:			
General Fund	CDBG Fund	\$ 300,000	Temporary Loan
Garbage and Landfill Fund	General Fund	9,586	Unsettled Taxes
Total Major Funds		<u>309,586</u>	
Nonmajor Governmental Funds			
Other Governmental	General Fund	70,275	Temporary Loan
Other Governmental	Garbage and Landfill Fund	294,440	Temporary Loan
Other Governmental	CDBG Fund	539,926	Temporary Loan
Total Non-major Governmental Funds		<u>904,641</u>	
Total All Fund Types		<u>\$ 1,214,227</u>	

The receivables represent the tax revenue collected but not settled until October, 2007, and temporary loan to other funds. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	
Major Funds:			
General Fund	Fiduciary Fund	\$ 18,202	Loans for operations
General Fund	Other Governmental	1,566	
Total Major Funds		<u>19,768</u>	
Other Funds:			
Fiduciary Funds	Garbage and Landfill Fund	12,535	Too much transferred to payroll fund and not repaid.
Total Other Funds		<u>12,535</u>	
Total All Fund Types		<u>\$ 32,303</u>	

None of the advances are expected to be repaid within the next fiscal year.

**ALCORN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

C. Transfers In/Out

	<u>Transfer In</u>	<u>Transfer Out</u>	
Major Funds			
General Fund	\$ 114,734	\$ 14,741	Transfer out for matching funds.
Non Major Governmental Funds	66,230	166,223	Transfer from closed out funds.
Total	<u>\$ 180,964</u>	<u>\$ 180,964</u>	
Operating Transfers			

4. Intergovernmental Receivables

Intergovernmental receivables at September 30, 2007 consisted of the following:

Governmental Activities:

<u>Description</u>	<u>Amount</u>
State Tax Commission TVA in Lieu	\$ 244,407
Legislature Tax Credit	144,145
Due From State	1,223,623
Other	55,647
Total Governmental Activities	<u>\$ 1,667,822</u>

5. Loans Receivable.

Loans receivable balances at September 30, 2007, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Payable</u>
CM Solutions	\$300,000	3.00%	12/14/2009	<u>\$ 135,648</u>

ALCORN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

6. Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2007:

Governmental activities:

	Balance Oct. 1, 2006	Additions	Deletions	Completions/ Adjustments	Balance Sept. 30, 2007
<u>Non-depreciable capital assets:</u>					
Land	\$ 703,783	-	-	-	703,783
Construction in progress	1,124,635	686,580	-	(1,529,638)	281,577
Total non-depreciable capital assets	1,828,418	686,580	-	(1,529,638)	985,360
<u>Depreciable capital assets:</u>					
Infrastructure	99,094,905	383,807	-	845,257	100,323,969
Buildings	12,292,366	-	-	684,381	12,976,747
Improvements other than buildings	248,578	-	-	-	248,578
Mobile equipment	2,593,801	67,170	294,061	208,041	2,574,951
Furniture and equipment	756,786	111,215	96,777	-	771,224
Lease property under capital leases	1,063,880	401,705	26,696	(224,641)	1,214,248
Total depreciable capital assets	116,050,316	963,897	417,534	1,513,038	118,109,717
<u>Less accumulated depreciation for:</u>					
Infrastructure	63,790,805	2,374,524	-	-	66,165,329
Buildings	3,507,173	256,028	-	-	3,763,201
Improvements other than buildings	33,402	9,946	-	-	43,348
Mobile equipment	2,041,146	153,994	227,902	79,082	2,046,320
Furniture and equipment	636,991	69,705	95,809	-	610,887
Leased property under capital leases	307,452	200,128	4,808	(85,473)	417,299
Total accumulated depreciation	70,316,969	3,064,325	328,519	(6,391)	73,046,384
Total depreciable capital assets, net	45,733,347	(2,100,428)	89,015	1,519,429	45,063,333
Governmental activities capital assets, net	\$ 47,561,765	(1,413,848)	89,015	(10,209)	46,048,693

Adjustments consist of \$1,660 net to remove truck disposed in prior year and \$8,549 to correct prior year depreciation on a Mack Truck. \$130,619 of leased equipment net of accumulated depreciation, whose lease payments were complete, therefore the equipment was reclassified to mobile equipment.

**ALCORN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

6. Capital Assets – Continued

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 109,270
Public safety	118,926
Public works	2,630,676
Health and welfare	62,000
Culture and recreation	<u>143,453</u>
Total governmental activities depreciation expense	<u>\$ 3,064,325</u>

Commitments with respect to unfinished capital project at September 30, 2007, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Kimberly Clark Access Road	\$ 12,000,000	2010

7. Capital Leases

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2007:

<u>Class of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 946,451
Other furniture and equipment	<u>267,797</u>
Total	1,214,248
Less: Accumulated depreciation	<u>417,299</u>
Leased Property Under Capital Leases	<u>\$ 796,949</u>

The following is a schedule by years of the total payments due as of September 30, 2007:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 259,094	29,264
2009	222,918	19,134
2010	185,670	10,732
2011	147,230	3,573
2012	<u>14,801</u>	<u>183</u>
Total	<u>\$ 829,713</u>	<u>62,886</u>

ALCORN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

8. Long-Term Debt

Debt outstanding as of September 30, 2007, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Public Buildings Refunding Bonds - Series 2005	\$ 3,570,000	3.375% - 4.25%	11-17
Convention center	255,000	4.75 %-6.25%	11-08
Total General Obligation Bonds	<u>\$ 3,825,000</u>		
B. Capital Leases:			
1996 Volvo Dump Truck	\$ 14,949	4.249%	09-09
Case Backhoe	14,977	4.370%	06-09
2 2007 Mack Dump Trucks	152,082	4.140%	08-11
15 Diebold Voting Machines	43,745	4.220%	11-11
15 Diebold Voting Machines	44,075	4.280%	6-11
IBM AS 400 Computer	98,255	4.260%	9-11
2 - 2007 Crown Victoria	33,070	4.150%	1-11
1996 Mack truck and dump trailer	3,180	3.200%	02-08
JD 6415 Tractor & Cutter	28,334	3.960%	3-11
2006 Sheriff Car	14,072	4.390%	07-10
2000 Mack Truck	12,001	4.340%	05-09
Massey Ferguson Tractor	23,711	4.120%	12-10
Trail King Trailer	21,944	4.340%	05-10
2000 Mack Truck	58,936	4.400%	07-11
Massey Ferguson Tractor	29,066	4.010%	4-11
Komatsu Loader WA180	4,667	3.360%	05-08
1998 International Dump Truck	6,438	3.440%	06-08
2 - 5460 MF Tractor & Mowers	93,745	4.010%	4-12
Alamo Mower & Ditcher	4,598	3.470%	06-08
Backhoe	7,236	3.380%	08-08
2004 Komatsu 530A Motorgrader	48,844	3.570%	09-11
2 2005 Crown Victorias	5,619	3.580%	01-09
Computer System	25,209	3.540%	03-10
2005 Ford Truck	9,329	3.580%	04-09
JD 6415 Tractor	17,179	3.960%	06-09
JD 6415 Tractor	14,452	3.740%	09-09
Total Capital Leases	<u>\$ 829,713</u>		
C. Other Loans:			
Road Construction & Repair	\$ 250,000	4.030%	2/22/2008
SouthWest Fire Dept Truck	37,804	2.000%	10/1/2015
Road Construction & Repair	500,000	4.050%	3/15/2009
MDA/ CM Solutions	145,601	3.000%	1/14/2010
Extension Building	628,100	4.020%	4/12/2012
Total Other Loans	<u>\$ 1,561,505</u>		

**ALCORN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

8. Long-Term Debt – continued

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

Year Ending September 30,	General Obligation Bonds	
	Principal	Interest
2008	\$ 280,000	148,183
2009	295,000	131,194
2010	305,000	120,691
2011	320,000	109,518
2012	330,000	97,652
2013-2017	1,870,000	284,690
2018	425,000	9,031
Total	<u>\$ 3,825,000</u>	<u>900,959</u>

Year Ending September 30,	Other Loans	
	Principal	Interest
2008	\$ 692,104	44,342
2009	444,071	32,923
2010	152,596	15,786
2011	131,276	10,516
2012	131,289	5,392
2013-2014	10,169	358
Total	<u>\$ 1,561,505</u>	<u>109,317</u>

Legal Debt Margin – The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2007, the amount of outstanding debt was equal to 2.94% of the latest property assessment.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2007:

	Balance Oct 1, 2006	Additions	Reductions	Balance Sept 30, 2007	Amount due within one year
Governmental Activities:					
General obligations bonds	\$ 4,115,000	-	290,000	3,825,000	280,000
Capital leases	696,873	452,377	319,537	829,713	259,094
Other loans	997,980	1,128,100	564,575	1,561,505	692,104
Total	<u>\$ 5,809,853</u>	<u>1,580,477</u>	<u>1,174,112</u>	<u>6,216,218</u>	<u>1,231,198</u>

**ALCORN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Prior-Year Defeasance of Debt—In prior years, the county defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the county's financial statements. On September 30, 2007, \$3,440,000 of bonds outstanding were considered defeased.

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

No commitment debt is repaid only by the entities for whom the debt was issued and includes debt that either bears the county's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the county other than possibly an agreement to assist creditors in exercising their rights in the event of default. Alcorn County and the City of Corinth issued this debt on a basis of 55% county and 45% city. Because a default may adversely affect the county's own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

	Balance at Sept. 30, 2007	Alcorn County Share
Hospital revenue refunding bonds 1998	\$ 11,835,000	6,509,250
Hospital revenue refunding bonds 2006A	35,000,000	19,250,000
Hospital revenue refunding bonds 2006B	6,010,000	3,305,500
Total	<u>\$ 52,845,000</u>	<u>29,064,750</u>

10. Contingencies

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

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

**ALCORN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

11. Deficit Fund Balance

The following funds had a deficit balance at September 30, 2007:

Major Fund	
Garbage and Landfill Fund	\$ 525,608
Other Governmental:	
COPS School Grant	1,789
Youth Court Grant	1,565
Homeland Security Grant	21,584
Sheriff Juvenile Grant	1,481
2nd District Road Maintenance	35,051
Local Law Enforcement	1,148
US Treasury Great Grant	1,702
	<u>\$ 64,320</u>

All funds except for Garbage and Landfill Fund and 2nd District Road Maintenance Funds had expenditures that should have been paid out of General County. These funds were reimbursed in Fiscal Year 2008.

12. Jointly Governed Organizations

The Regional IV Health-Mental Retardation Commission operates in a district composed of the Counties of Alcorn, Prentiss, Tippah and Tishomingo. The Alcorn County Board of Supervisors appoints one of the four members of the board of commissioners. The county appropriated \$56,111 for the maintenance and support of the commission in the fiscal year 2007.

Northeast Mississippi Planning and Development District operates in a district composed of the Counties of Alcorn, Benton, Marshall, Prentiss, Tippah and Tishomingo. The Alcorn County Board of Supervisors appoints four of the 24 members of the board of directors. The county appropriated \$18,494 for support of the district in fiscal year 2007.

The Northeast Mississippi Community College operates in a district composed of the Counties of Alcorn, Prentiss, Tippah, Tishomingo and Union. The Alcorn County Board of Supervisors appoints two of the 15 members of the college board of trustees. The county levied \$790,835 in taxes for maintenance and support of the college in fiscal year 2007.

13. Joint Ventures

The county participates in the following joint ventures:

Alcorn County is a participant with the Counties of Prentiss, Tippah and Tishomingo in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate Northeast Regional Library. The joint venture was created to provide a regional public library for the area, and is governed by a four-member board appointed by the four Boards of Supervisors. By contractual agreement, the county's appropriation from the General Fund this year to the joint venture amounted to \$127,542. Complete financial statements for the Northeast Regional Library can be obtained from Northeast Regional Library, 1023 North Fillmore Street, Corinth, Mississippi 38834.

Alcorn County is a participant with the City of Corinth in a joint venture, authorized by HB #1183, 1972 Session, to operate the Corinth-Alcorn Area Chamber of Commerce, The Alliance. The joint venture was created to foster, encourage and facilitate economic development in the county. The Alcorn County Board of Supervisors appoints four of the 32 members of the board of directors. The county appropriated \$270,948 for the operation of the entity during the 2007 fiscal year. Complete financial statements for the Corinth-Alcorn Area Chamber of Commerce can be obtained from The Alliance, 810 Tate Street, Corinth, Mississippi 38834.

Alcorn County is a participant with the City of Corinth in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the Corinth-Alcorn County Airport. The joint venture was created to provide an airport for the area, and is governed by a five-member board of commissioners appointed as follows: Alcorn County, two; City

**ALCORN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

of Corinth, two; jointly, one. Alcorn County provided \$99,845 for the operation of the entity during the 2007 fiscal year. Complete financial statements for the Corinth-Alcorn County Airport can be obtained from Corinth-Alcorn County Airport, Route 1, Box 91, Corinth, Mississippi 38834.

Alcorn County is a participant with the City of Corinth in a joint venture to operate the Siege and Battle of Corinth Commission. The joint venture was created to promote tourism, and is governed by five commissioners. The Alcorn County Board of Supervisors and the City of Corinth Board of Aldermen each appoint two commissioners, and jointly appoint the fifth commissioner. Complete financial statements for the Siege and Battle of Corinth Commission can be obtained from P.O. Box 45, Corinth, Mississippi 38835-0045.

Alcorn County is a participant with the City of Corinth in a joint venture, authorized by Section 41-13-15, Miss. Code Ann. (1972), to operate Magnolia Hospital. The joint venture was created to provide a community hospital for the area and is governed by a five-member board of trustees; two appointed by the county Board of Supervisors, two appointed by the city and one jointly appointed. Alcorn County provided \$ -0- for the 2007 fiscal year. Complete financial statements for the Magnolia Hospital can be obtained from Magnolia Hospital, 611 Alcorn Drive, Corinth, Mississippi 38834.

Alcorn County is a participant with the City of Corinth in a joint venture, authorized by Section 55-9-1, Miss. Code Ann. (1972), to operate the Corinth-Alcorn County Recreational Commission. The joint venture was created to provide recreational opportunities for the area, and is governed by a five-member board. Each entity appoints two of the five board members and the fifth is jointly appointed. Alcorn County provided \$209,313 for the 2007 fiscal year. Complete financial statements for the Corinth-Alcorn Recreation Commission can be obtained from Corinth-Alcorn Recreation Commission, P.O. Box 699, Corinth, Mississippi 38835.

Alcorn County is a participant with the City of Corinth in a joint venture, established by local and private legislation (Senate Bill 3219), 1997 Session, to operate the Corinth Area Tourism Promotion Council. The joint venture was created to promote tourism, and is governed by a seven-member board of directors. Each entity appoints one board member, the Corinth Area Restaurant Association appoints three board members and the Corinth Area Hotel-Motel-Inn-Bed and Breakfast Association appoints two board members. The joint venture is funded by a 2 percent sales tax on motel and food and beverage sales within the City of Corinth. Complete financial statements for the Corinth Area Tourism Promotion Council can be obtained from the Corinth Area Tourism Promotion Council, P.O. Box 69, Corinth, Mississippi 38835.

14. Defined Benefit Pension Plan

Plan Description - Alcorn 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 11.85% 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, 2007, 2006, and 2005, were \$446,895, \$369,213, and \$316,910, respectively, equal to the required contributions for each year.

ALCORN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

15. Subsequent Events:

Subsequent to September 30, 2007, Alcorn County issued the following debt obligations:

<u>Date</u>	<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
	Lease Purchase		
10/15/2007	2 Sheriff Cars	3.10%	\$ 40,282
10/15/2007	County Wide Note	4.08%	35,000
1/24/2008	Equipment Trailer	2.86%	6,155
2/4/2008	County Wide Note	2.85%	20,000
2/19/2008	Used Pickup Lease	3.02%	15,000
3/3/2008	Chevrolet Pickup Lease	3.03%	16,644
3/3/2008	Backhoe	3.03%	58,170
4/15/2008	Dump Truck	2.86%	24,900
5/5/2008	1-Ton Ford Truck	3.03%	30,705
	Notes		
4/1/2008	County Wide Road Construction Note	2.64%	500,000

16. Claims and Judgments.

Risk Financing

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participating agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2007, to January 1, 2008. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

17. Prior Period Adjustment.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 – Statement of Activities

<u>Explanation</u>	<u>Amount</u>
Correction of error in capital assets.	\$ (10,209)

**ALCORN COUNTY, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE -
BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 3,627,154	3,792,536	3,792,536	-
Licenses, commissions and other revenue	278,056	334,935	334,935	-
Fines and forfeitures	283,097	362,197	362,197	-
Intergovernmental revenues	1,100,777	1,178,489	1,178,489	-
Charges for services	286,565	304,453	304,453	-
Interest income	62,000	78,972	85,612	6,640
Miscellaneous revenues	44,789	103,664	85,844	(17,820)
Total Revenues	5,682,438	6,155,246	6,144,066	(11,180)
EXPENDITURES				
Current:				
General government	2,893,810	3,674,350	3,677,930	(3,580)
Public safety	1,591,978	1,885,890	1,885,890	-
Public works	98,845	105,284	105,284	-
Health and welfare	401,020	409,085	409,085	-
Culture and recreation	277,375	279,334	279,334	-
Conservation of natural resources	144,752	147,716	147,716	-
Economic development and assistance	33,481	33,481	33,481	-
Principal & interest	62,787	88,061	88,061	-
Total Expenditures	5,504,048	6,623,201	6,626,781	(3,580)
Excess (deficiency) of Revenues over (under) expenditures	178,390	(467,955)	(482,715)	(14,760)
OTHER FINANCING SOURCES (USES)				
Proceeds of Capital Debt	-	211,086	211,086	-
Compensation for Loss of Capital Asset	-	-	8,300	8,300
Sale of Asset	-	700	700	-
Transfers in	-	303,227	303,227	-
Transfers out	(178,390)	(203,960)	(203,270)	690
Total other financing sources and uses	(178,390)	311,053	320,043	8,990
Net change in fund balance	-	(156,902)	(162,672)	(5,770)
Fund Balances - Beginning	-	5,093,871	5,093,871	-
Fund Balances - Ending	\$ -	4,936,969	4,931,199	(5,770)

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

ALCORN COUNTY, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE -
BUDGET AND ACTUAL (NON-GAAP BASIS)
CDBG Fund
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental Revenue	-	852,756	852,756	-
Miscellaneous revenues	-	75,468	75,468	-
Total Revenues	-	928,224	928,224	-
EXPENDITURES				
Current:				
Economic Development	-	1,703,463	1,703,463	
Principal & Interest	-	64,687	64,687	
Total Expenditures	-	1,768,150	1,768,150	-
Excess (deficiency) of Revenues over (under) expenditures	-	(839,926)	(839,926)	-
Net change in fund balance	-	(839,926)	(839,926)	-
Fund Balances - Beginning	-	204,951	204,951	-
Fund Balances - Ending	\$ -	(634,975)	(634,975)	-

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

**ALCORN COUNTY, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE-
BUDGET AND ACTUAL (NON-GAAP BASIS)
GARBAGE AND SOLID WASTE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Original Budget	Financial Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 489,942	509,795	509,795	-
Intergovernmental Revenue	-	24,963	24,963	-
Charges for services	1,468,300	1,269,462	1,269,462	-
Interest Income	1,700	1,633	1,633	-
Miscellaneous revenues	-	1,434	1,434	-
Total Revenues	1,959,942	1,807,287	1,807,287	-
Expenditures				
Current:				
Public works	1,918,955	1,900,957	1,900,957	-
Debt Service:				
Principal	35,859	42,379	36,982	5,397
Interest	5,128		5,397	(5,397)
Total Expenditures	1,959,942	1,943,336	(1,943,336)	-
Excess (deficiency) of Revenues over (under) expenditures	-	(136,049)	(136,049)	-
Net change in fund balance	-	(136,049)	(136,049)	-
Fund Balances - Beginning	-	(457,430)	(457,430)	-
Fund Balances - Ending	\$ -	(593,479)	(593,479)	-

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

ALCORN COUNTY, MISSISSIPPI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Notes to the Required Supplementary Information

A. Budgetary Information

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

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

B. Basis of Presentation

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

ALCORN COUNTY, MISSISSIPPI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Budget/GAAP Reconciliation - continued

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major special revenue fund:

	Governmental Fund Types		
	General Fund	CDBG Fund	Garbage and Solid Waste Fund
Budget (Cash Basis)	\$ (162,672)	(839,926)	(136,049)
Increase (Decrease)			
Net adjustments for revenue accruals	259,396	1,059,922	49,908
Net adjustments for expenditures accruals	167,751	(278,519)	17,963
Net adjustment for other financing sources (uses)	46,806	-	-
GAAP Basis	<u>\$ 311,281</u>	<u>\$ (58,523)</u>	<u>(68,178)</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, 2007:

<u>Fund</u>	<u>Excess</u>
General Fund	<u>\$ 3,580</u>

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.

**ALCORN COUNTY, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2007**

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARDS			
U.S. Department of Housing and Urban Development/ Passed through the Mississippi Development Authority Community Development Block Grant/State's Program	14.228	1122-05-002-ED-01	\$ 387,170
U.S. Department of Commerce Economic Development Administration	11.300	04-79-05651	639,640
Total Majority Federal Awards			<u>1,026,810</u>
OTHER FEDERAL AWARDS			
U.S. Department of Homeland Security/ Passed-through Mississippi Emergency Management Agency Homeland Security Cluster Homeland Security Grant Program	97.067 97.067 97.067	05-LE-002 05-HS-002	9,407 32,855 8,961
Total U.S. Department of Homeland Security			<u>51,223</u>
U.S. Department of Transportation - Federal Highway Administration/ Passed-through the Mississippi Department of Transportation Highway Planning and Construction	20.205	N/A	<u>5,070</u>
U.S. Department of Justice Office of Community Oriented Policing Services Juvenile Accountability Incentive Block Grant	16.710 16.523	2004-SHWX-0017 2005-DJ-BX-0688	19,559 8,565
Total U.S. Department of Justice			<u>28,124</u>
U.S. Department of Education Passed-through Mississippi Department of Education and Mississippi Department of Public safety Safe and Drug Free Schools - States Grants	84.186	N/A	<u>3,399</u>
Total U.S. Department of Education			<u>3,399</u>
U.S. Department of Housing and Urban Development/ Passed-through Mississippi Development Authority Home Investment Partnership Program	14.239	M03-SG-280-981	<u>160,000</u>
Social Security Administration Social Security Administration	96.xxx	N/A	<u>3,800</u>
Total Expenditures of Other Federal Awards			<u>251,616</u>
Total Expenditures of Federal Awards			<u>\$ 1,278,426</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

Note B - Community development block grant

The balance outstanding at September 30, 2007, of loans received in previous years is \$145,601.



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

Members of the Board of Supervisors
Alcorn County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Alcorn County, Mississippi, as of and for the year ended September 30, 2007, which collectively comprise the county's basic financial statements and have issued our report thereon dated April 20, 2009. Our report includes an adverse opinion on the aggregate discretely presented component unit due to the omission of the discretely presented component unit which is required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the reporting entity that include the financial data for its component unit. 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 United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as findings 2007-1 and 2007-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of the internal control over financial reporting was for limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2007-1 and 2007-2 to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Alcorn County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Governmental Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Cost as items 2007-01 and 2007-02.

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

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.

Brauner, VanOlney & Co. P.A.

April 20, 2009
Booneville, Mississippi



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INDEPENDENT AUDITORS' 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
Alcorn County, Mississippi

Compliance

We have audited the compliance of Alcorn 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 its major federal program for the year ended September 30, 2007. Alcorn 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 Alcorn County, Mississippi's management. Our responsibility is to express an opinion on Alcorn 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 Alcorn County, Mississippi's compliance with those requirements and performing such other procedures as we consider 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 Alcorn County, Mississippi's compliance with those requirements.

In our opinion, Alcorn 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, 2007.

Internal Control Over Compliance

The management of Alcorn 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 Alcorn County, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

A control deficiency in a county's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Brauner, Van Steen & Co. P.A.

April 20, 2009
Booneville, Mississippi



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INDEPENDENT AUDITORS' 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
Alcorn County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Alcorn County, Mississippi, as of and for the year ended September 30, 2007. 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 Alcorn County, Mississippi, is responsible for establishing and maintaining a central purchasing system and an 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 Alcorn County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

In our opinion, Alcorn 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 Alcorn 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.

Brauner, Vanstory & Co. P.A.

April 20, 2009
Booneville, Mississippi

Schedule 1

ALCORN COUNTY, MISSISSIPPI
SCHEDULE OF PURCHASES NOT MADE
FROM THE LOWEST BIDDER
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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

ALCORN COUNTY, MISSISSIPPI
 SCHEDULE OF EMERGENCY PURCHASES
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

Date	Item Purchased	Amount Paid	Vendor	Reason for Emergency Purchase
12/4/2006	Boiler Repair	\$ 4,600	Tri-Star Mechanical	Boiler System Out
12/4/2006	Culverts	21,000	Diversified Cars	Bridge Washout
1/17/2007	Culverts	12,000	Diversified Cars	Bridge Washout
4/13/2007	Flat Rail Cars	37,600	Diversified Cars	Bridge Washout
4/13/2007	Equipment Rental	33,280	Buddy Ayers Construction	Bridge Washout
4/13/2007	Steel Piling	24,895	Skyline Steel	Bridge Washout
10/18/2006	Precast Bridge	48,191	Hanson Pipe	Bridge Washout
10/18/2006	Equipment Rental	8,250	Buddy Ayers construction	Bridge Washout
10/18/2006	Steel Piling	24,063	Skyline Steel	Bridge Washout

Schedule 3

ALCORN COUNTY, MISSISSIPPI
SCHEDULE OF PURCHASES MADE NONCOMPETITIVELY
FROM A SOLE SOURCE
YEAR ENDED SEPTEMBER 30, 2007

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
4/2/2007	Encoder Cards	\$ 7,900	Diebold
5/7/2007	Voting Machines	\$ 46,770	Diebold



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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

**Members of the Board of Supervisors
Alcorn County, Mississippi**

In planning and performing our audit of the financial statements of Alcorn County, Mississippi for the year ended September 30, 2007, we considered Alcorn 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 Alcorn 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 April 20, 2009 on the financial statements of Alcorn County, Mississippi.

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

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

Board of Supervisors.

1. Finding – Several funds had deficit fund balances at year end (see Note 12).

Recommendation – All funds should be examined on a regular basis to see sufficient funds are available before incurring costs. Transfers should be made to funds to keep from having deficit fund balances.

Response:

We will monitor the funds more closely to insure that funds do not have a negative balance.

2. Finding – Section 19-11-19, Miss. Code Ann.(1972) gives the board authority to amend budgets. The General Fund was not amended to cover all expenditures of the year. Expenditures exceeded budgeted amounts by \$3,580.

Recommendation – Care should be taken in amending the budget to insure that all expenditures are budgeted.

Response:

We will monitor the funds to insure when budgets are required to be amended that amendments are made in the correct amount.

3. Finding – The Board of Supervisors should strengthen internal controls to insure that all assets are recorded and safeguarded. The Board should have good internal controls and policies in place to account for all assets.

Recommendation:

a. Expenditures should be reviewed to insure that all capital assets are included in Capital Assets Listing and that no assets are unrecorded.

b. Procedures should be in place to prevent overdrawn cash in each fund.

Response:

The Board will strengthen internal controls.

Sheriff.

1. Finding- Some of the vouchers for the purchase of information and evidence were not witnessed by other officers nor signed by individual providing information.

Recommendation- Care should be taken to insure that all vouchers for the purchase of evidence are witnessed by another officer and that individuals providing information sign vouchers.

Response: No Response

2. Finding – The sheriff's office bank accounts were not reconciled during the year. This prevented the bookkeeper from being able to reconcile cash in the bank to the cash in the cash journal.

Recommendation – The bank account should be reconciled monthly, and the cash balance in the bank agreed to the cash journal.

Response: No Response

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.

Brauner, Vandenberg & Co. P.A.

April 20, 2009
Booneville, Mississippi

**ALCORN COUNTY, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTION COSTS
YEAR ENDED SEPTEMBER 30, 2007**

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|--|---------------|
| 1. Type of auditor's report issued on the financial statements: | |
| Governmental activities | Unqualified |
| General Fund | Unqualified |
| CDBG Fund | Unqualified |
| Garbage and Solid Waste Fund | Unqualified |
| Aggregate remaining fund information | Unqualified |
| Aggregate discretely presented component units | Adverse |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | Yes |
| b. Significant deficiency identified that are not considered to be a material weakness ? | None Reported |
| 3. Noncompliance material to the government financial statements? | Yes |

Federal Awards:

- | | |
|--|---------------|
| 4. Internal control over major programs; | |
| a. Material weakness identified? | No |
| b. Significant deficiency identified that is not considered to be material weakness? | None Reported |
| 5. Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. Any audit finding reported as required by Section ____ .510(a) of Circular A-133? | No |
| 7. Federal programs identified as major programs: | |
| a. Community development block grants/state's programs, CFDA # 14.228 | |
| b. Economic Development Administration, CFDA # 11.300 | |
| 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 |

**ALCORN COUNTY, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTION COSTS
YEAR ENDED SEPTEMBER 30, 2007 – CONTINUED**

Section 2: Financial Statement Findings

Chancery Clerk

Significant Deficiency – Material Weakness – Material Noncompliance

2007-1 Finding

Inadequate controls exist in the payroll functions as reported in the prior fiscal years.

Recommendation

The Chancery Clerk should implement an adequate system of internal control over the county payroll function. An adequate system should include the following control features:

- a. Current election forms for insurance and cafeteria plans should be placed in the personnel files.
- b. A copy of the order approving the pay rate or a book and page reference to the pay rate being approved should be noted in the personnel files.

Chancery Clerk's Response

- a. Will be corrected.
- b. Will be corrected.

Board of Supervisors

Significant Deficiency – Material Weakness – Material Noncompliance

2007-2 Finding

The Board of Supervisors has not established internal controls to insure that all assets are recorded and safeguarded. The Board should have internal controls and policies in place to account for all assets.

Recommendation

- a. Expenditures should be reviewed to insure that all capital assets are included in Capital Asset Listing and that no assets are unrecorded.
- b. Procedures should be in place to prevent overdrawn cash in each fund.

Board of Supervisors' Response

- a. The Board will strengthen internal controls.
- b. The Board will strengthen internal controls.

Section 3. Federal Award Findings and Question Costs

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