



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.



ADAMS COUNTY, MISSISSIPPI

Primary Government Financial Statements  
and Special Reports  
For the Year Ended  
September 30, 2003

Switzer, Hopkins & Mange  
300 Main Street  
Natchez MS 39120

ADAMS COUNTY  
TABLE OF CONTENTS

FINANCIAL SECTION .....	1
INDEPENDENT AUDITORS' REPORT.....	2
MANAGEMENT’S DISCUSSION AND ANALYSIS .....	4
PRIMARY GOVERNMENT FINANCIAL STATEMENTS .....	13
Statement of Net Assets.....	14
Statement of Activities .....	15
Balance Sheet – Governmental Funds.....	16
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets .....	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	18
Reconciliation of the Statement of revenues, Expenditures and changes in Fund Balances of Governmental Funds to the Statement of Activities.....	19
Statement of Net Assets – Internal Service Fund .....	20
Statement of Revenues, Expenses and changes in Fund Net Assets – Internal Service Fund .....	21
Statement of Cash Flows – Internal Service Fund.....	22
Statement of Fiduciary Assets and Liabilities .....	23
Notes to Financial Statements .....	24
REQUIRED SUPPLEMENTARY INFORMATION .....	46
Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis) – General Fund.....	47
Port and Harbor Fund.....	48
Countywide Road and Bridge Fund .....	49
Notes to the Required Supplementary Information .....	50
SUPPLEMENTAL INFORMATION .....	51
Schedule of Expenditures of Federal Awards.....	52
SPECIAL REPORTS.....	53
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Primary Government Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	54
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	56
Independent Auditors' Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972)).....	58
Independent Auditors' Report on compliance with State Laws and Regulations .....	63
SCHEDULE OF FINDING AND QUESTIONED COSTS .....	67

ADAMS COUNTY

FINANCIAL SECTION

# SWITZER, HOPKINS & MANGE

## Certified Public Accountants

DENNIS R. SWITZER, CPA  
H. MYLES HOPKINS, CPA  
SUSAN L. MANGE, CPA

JOHN M. JONES, CPA 1921 - 1983

### INDEPENDENT AUDITORS' REPORT ON THE PRIMARY GOVERNMENT BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTAL INFORMATION AND SUPPLEMENTAL INFORMATION

Members of the Board of Supervisors  
Adams County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Adams County, Mississippi, as of and for the year ended September 30, 2003, 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.

Internal controls over certain fines receivable in the General Fund were not sufficient to allow us to form an opinion on the amount of fines receivable. In addition, management has not adopted procedures for reviewing the collectibility of fines receivable in the General Fund and, accordingly, has not considered the need to provide an allowance for uncollectible accounts. As a result, fines receivable and an allowance for uncollectibles have not been recorded in the accompanying financial statements. Accounting principles generally accepted in the United States of America require the recording of fines receivable and the providing of an adequate allowance for uncollectibles, which would increase the assets, net assets, revenues and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, revenues and expenses of governmental activities is not reasonably determinable.

The financial statements referred to above include only the primary government of Adams 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 Adams County, Mississippi, as of September 30, 2003, and the respective changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects, if any, of the matter described in the third paragraph, the primary government financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Adams County, Mississippi, as of September 30, 2003, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the primary government financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, the Port and Harbor Fund, the County-Wide Road Maintenance and Construction Fund, the Debt Service Fund and the aggregate remaining fund information of Adams County, Mississippi, as of September 30, 2003, 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.

As described in Note 2, Adams County, Mississippi implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, effective October 1, 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2004, on our consideration of Adams County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 4 through 12 and the Budgetary Comparison Schedule and corresponding notes on pages 47 through 50 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*Sviritzer Hopkins & Manger*

Natchez, Mississippi

July 20, 2004

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### INTRODUCTION

The discussion and analysis of Adams County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2003. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

This discussion and analysis is a new element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 — Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999. Certain comparative information between the current year and the prior year is required to be presented. However, since this is the first year of implementation of the new reporting model contained in GASB Statement No. 34, the Statement permits the omission of prior year data in the year of implementation. The County has elected not to present comparative data.

Adams County is located in southwestern Mississippi along Highway 61. The population, according to the 2000 census is 34,540. The local economic base is driven mainly by a transition from manufacturing to warehouse distribution and a service oriented economy. The service economy consists primarily of tourism, recreation, health and education. Manufacturing still remains an important part of the local economy

### FINANCIAL HIGHLIGHTS

Adams County is financially stable. The County has committed itself to financial excellence for many years by using sound financial planning, budgeting and strong internal controls. The County is committed to maintaining sound fiscal management to meet the challenges of the future.

Adams County is not currently growing economically and in population. The County has maintained a steady growth in tax revenues without a significant tax increase. The County government tax rate has increased an average of only 1% over the last 5 years. This does not include School tax increases. We do not anticipate a steady growth in tax revenues; however, because the County is taking measure to reduce expenses, a significant increase in millage is not anticipated.

Total net assets decreased \$442,028, which represents a 58% decrease from the prior fiscal year. The County's ending cash balance increased by \$86,401, which represents a 2% increase from the prior fiscal year.

The County had \$14,456,475 in total revenues. Tax revenues account for \$8,542,434 or 59% of total revenues. Federal, state and local government revenues in the form of reimbursements, shared revenue or grants, account for \$3,131,106 or 22% of total revenues.

The County had \$17,617,823 in total expenses, which represents a decrease of \$2,789,199 or a 14% decrease from the prior fiscal year. Expenses in the amount of \$5,931,752 were offset by grants, outside contributions or debt being issued. General revenues of \$12,024,758 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$7,997,392 in revenues and \$9,333,571 in expenditures. The General Fund's fund balance decreased \$473,315 under the prior year.

Among major funds, the Port and Harbor Fund had \$286 in revenues and \$344,769 in expenditures. The Port and Harbor Fund's fund balance increased \$155,421 over the prior year.

Among major funds, the Countywide Road Maintenance Fund had \$1,590,860 in revenues and \$1,776,171 in expenditures. The Countywide Road Maintenance Fund's fund balance increased \$92,363 over the prior year.

Among major funds, the Debt Service Fund had \$1,012,828 in revenues and \$1,194,564 in expenditures. The Debt Service Fund's fund balance increased \$741,031 over the prior year.

Capital assets, net of accumulated depreciation, decreased by \$7,128,157. This significant change was primarily due to the recording of prior year and current year depreciation under GASB 34.

Long-term debt increased by \$1,620,678, primarily due to the issuance of special obligation refunding bonds.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components:

1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

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

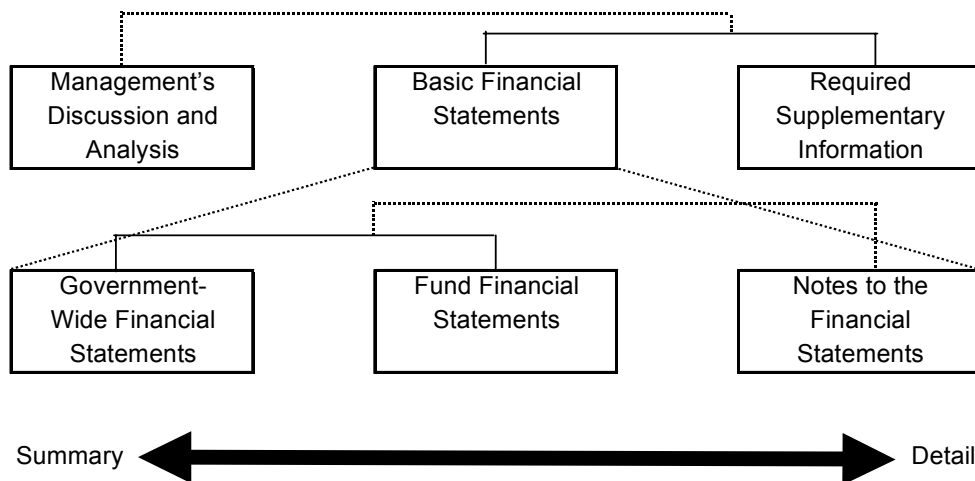


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

Figure 2 summarizes the major features of the County's financial statements, including the portion of the County's government they cover and the types of information they contain. The remainder of this section of Management's Discussion and Analysis explains the structure and content of each of the statements.

**Figure 2—Major Features of the County’s Government-Wide and Fund Financial Statements**

	Government-Wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds) and component units	All activities of the County that are not business-type or fiduciary in nature	Activities of the County that operate similar to private businesses	The County is the trustee or agent for someone else’s resources
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in net assets</li> </ul>
Accounting basis and measurement focus	Accrual Accounting and economic Resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting And economic Resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short and long term	All assets and liabilities, and both short and long term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the County finances, in a manner similar to private-sector businesses.

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

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

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government; public safety; public works (roads and bridges); health and welfare; culture and recreation; education; economic development; and interest on long-term debt.

The Government-wide Financial Statements can be found on pages 14 – 15 of this report.

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

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements. Governmental funds include the general, special revenue, debt service, and capital projects funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 17 and 19 respectively.

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

The basic governmental funds financial statements can be found on pages 16 – 19 of this report.

**Proprietary funds** are maintained two ways. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statement. The County has no enterprise funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for its self-insurance program for employees' medical benefits. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fund financial statements for the proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements can be found on pages 20 – 22 of this report.

**Fiduciary funds** are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Net Assets, which can be found on page 23 of this report.

**Notes to the financial statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 24 – 45 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents **Required Supplementary Information** concerning the County's budget process.

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 47 – 50 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 52 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Assets** — Net assets may serve over time as a useful indicator of government’s financial position. In the case of Adams County, assets exceeded liabilities by \$321,130 as of September 30, 2003.

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

The following table presents a summary of the County’s net assets for the fiscal year ended September 30, 2003.

	Governmental Activities
Current assets	\$ 15,135,621
Capital assets, net	<u>13,009,672</u>
Total assets	<u>28,145,293</u>
Current liabilities	7,983,140
Long-term debt outstanding	<u>19,841,023</u>
Total liabilities	<u>27,824,163</u>
Net assets:	
Invested in capital assets, net of related debt	4,023,883
Restricted	1,259,821
Unrestricted	<u>(4,962,574)</u>
Total net assets	<u>\$ 321,130</u>

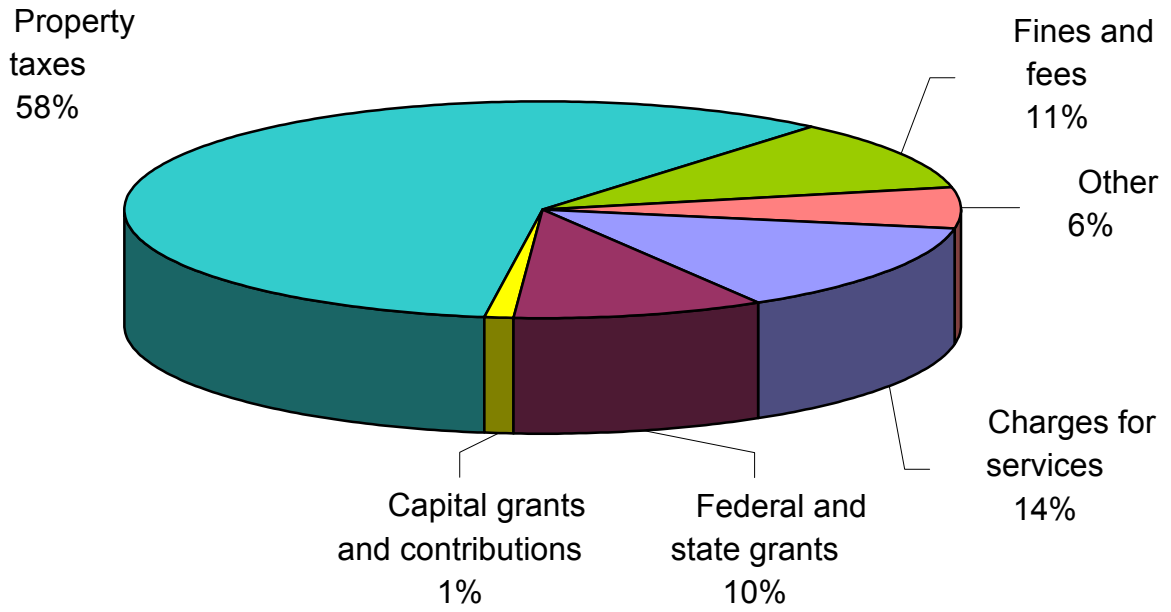
The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- Federal and State revenues fell short of expectations by \$500,000.
- Fines and forfeitures were \$224,000 less than anticipated.
- The County supplemented the Adams County Port Commission’s budget with \$186,000 of operating funds.

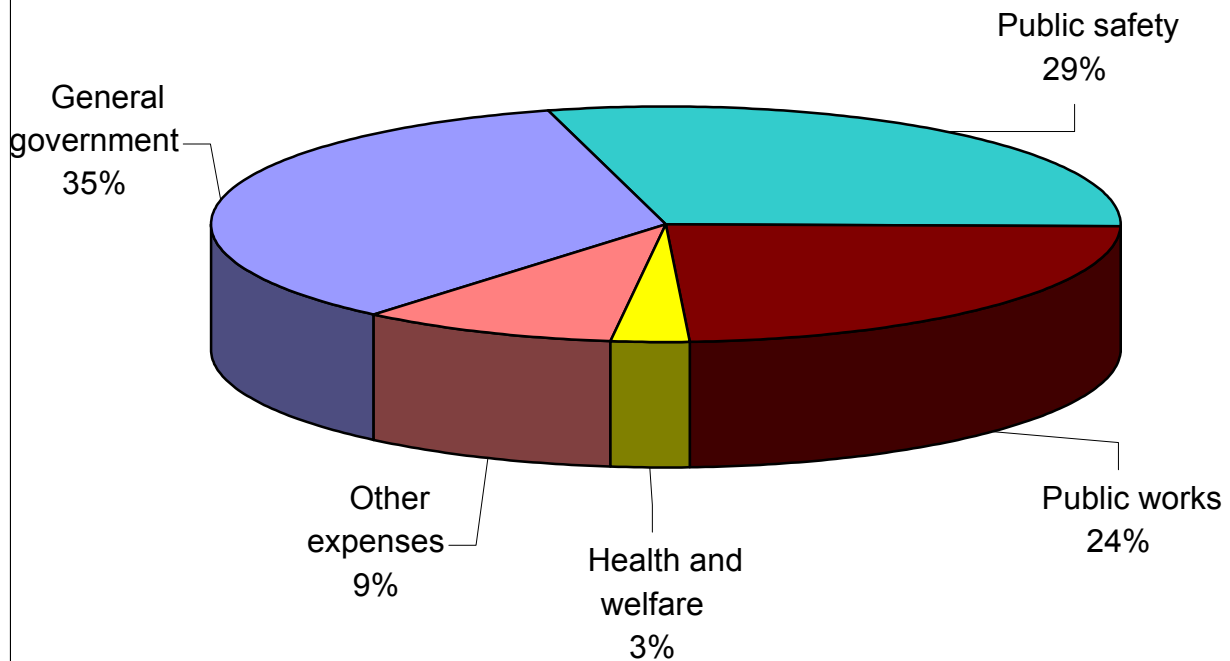
**Changes in Net Assets** — Adams County’s total revenues for the fiscal year ended September 30, 2003 was \$14,501,926. The total cost for all services provided was \$14,943,954. The decrease in net assets was \$442,028. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2003.

Revenues:	<u>Amount</u>
Program revenues	
Charges for services	\$ 1,958,119
Federal and state grants	1,445,340
Capital grants and contributions	150,504
General revenues	
Property taxes	8,542,434
Fines and fees	1,535,264
Other	<u>870,265</u>
Total Revenues	<u>14,501,926</u>
Expenses:	
General government	5,197,374
Public safety	4,377,279
Public works	3,583,540
Health and welfare	418,876
Other expenses	<u>1,366,885</u>
Total Expenses	<u>14,943,954</u>
(Decrease) in Net Assets	<u><u>\$ (442,028)</u></u>

### WHERE THE COUNTY GETS ITS REVENUE



### HOW THE COUNTY REVENUES ARE USED



**Governmental Activities** — The following table presents the cost of six major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare, Economic Development and interest on long-term debt.

The table also shows each function’s net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity.) The net cost shows the financial burden that was placed on Adams County’s taxpayers by each of these functions.

	Total Costs	Net Costs
General government	\$ 5,197,374	\$ 4,401,202
Public safety	4,377,279	3,077,972
Public works	3,583,540	2,356,325
Health and welfare	418,876	187,607
Economic Development	203,986	203,986
Interest on long-term debt	934,737	934,737
Other	228,162	228,162

## FINANCIAL ANALYSIS OF THE COUNTY’S FUNDS

**Governmental funds** — At the close of the fiscal year, Adams County’s governmental funds reported a combined fund balance of \$6,596,019, an increase of \$338,687. The primary reasons for this increase are highlighted in the analysis of governmental activities. In addition, others factors that affected ending fund balance are as follows:

- Non-capital debt of \$1,442,600 was issued and no principal payments were due by the end of the fiscal year.

The General Fund is the principal operating fund of the County. The decrease in the fund balance of the General Fund for the fiscal year was \$473,315. This decrease was primarily due to unexpected cuts in State revenue and health insurance cost overruns.

## BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets** — As of September 30, 2003, Adams County’s total capital assets was \$19,663,170. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents a decrease from the previous year of \$474,659 primarily due to adjustments for beginning capital assets, which do not meet the capitalization thresholds.

Total accumulated depreciation as of September 30, 2003 was \$6,653,498, including \$778,230 of depreciation expense for the year. The balance in total net capital assets was \$13,009,672 at year-end.

Additional information on Adams County’s capital assets can be found in note 9 on pages 37 – 38 of this report.

**Debt Administration** — At September 30, 2003, Adams County had \$19,841,023 in long-term debt outstanding. This includes general obligation bonds, special obligation bonds, other loans and obligations under capital lease. Of this debt, \$2,313,482 is due within one year.

In the past year, the County issued \$7,960,000 in special obligation bonds to advance refund \$6,720,000 of outstanding bond issues.

Adams County maintains a “Baa2” bond rating from Moody's Investors Service. The State of Mississippi limits the amount of debt a county can issue to generally 15% of total assessed value. The County’s outstanding debt is significantly below its current limit of 33 million dollars.

Additional information on Adams County’s long-term debt can be found in note 11 on pages 39 – 42 of this report.

#### **CURRENT AND FUTURE ITEMS OF IMPACT**

In fiscal year ending September 30, 2004, a large manufacturing plant will close. In fiscal year ending September 30, 2005, because of the plant closing, there will be decreases in Advalorem taxes for County purposes of approximately \$500,000 and \$900,000 for school purposes.

The budget for the next fiscal year reflected a decrease of \$329,966 or 1.8% in revenues and a decrease of \$ 75,301 or .4% in expenses. This is expected to decrease the County’s net assets.

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

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County’s finances and to demonstrate the County’s accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the County Administrator’s office at P.O. Box 1008, Natchez, Mississippi 39121-1008.

ADAMS COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

ADAMS COUNTY  
Statement of Net Assets  
September 30, 2003

Exhibit 1

	<u>Primary</u>
	<u>Government</u>
	Governmental Activities
<b>ASSETS</b>	
Cash (Note 3)	\$ 2,798,688
Cash with fiscal agent	742,870
Property tax receivable	6,472,057
Accounts receivables - waste collection, net of allowance for doubtful accounts of \$526,327	95,665
Loans receivable (Note 4)	3,447,407
Capital leases receivable (Note 5)	567,553
Intergovernmental receivables (Note 7)	316,269
Other receivables (Note 8)	201,412
Deferred debt issue costs	316,522
Other assets	177,178
Capital assets (Note 9)	13,009,672
Total Assets	<u>28,145,293</u>
<b>LIABILITIES</b>	
Claims payable	533,573
Intergovernmental payables	457,143
Accrued interest payable	131,827
Deferred revenue:	
Property taxes	6,472,057
Other	162,826
Other payables	225,714
Long-term liabilities	
Due within one year:	
Capital related debt	925,542
Non-capital debt	1,387,940
Due in more than one year:	
Capital related debt	8,060,247
Non-capital debt	9,467,294
Total Liabilities	<u>27,824,163</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	4,023,883
Restricted net assets:	
Expendable:	
Debt service	494,555
Unemployment compensation	24,677
Capital projects	740,589
Unrestricted	(4,962,574)
Total Net Assets	<u>\$ 321,130</u>

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

ADAMS COUNTY  
Statement of Activities  
For the Year Ended September 30, 2003

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Primary Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 5,197,374	\$ 736,338	\$ 59,834	\$ -	(4,401,202)
Public safety	4,377,279	649,099	567,947	82,261	(3,077,972)
Public works	3,583,540	572,682	586,290	68,243	(2,356,325)
Health and welfare	418,876	-	231,269	-	(187,607)
Culture and recreation	84,116	-	-	-	(84,116)
Education	1,300	-	-	-	(1,300)
Conservation of natural resources	142,746	-	-	-	(142,746)
Economic development and assistance	203,986	-	-	-	(203,986)
Interest on long-term debt	934,737	-	-	-	(934,737)
Total Governmental Activities	<u>14,943,954</u>	<u>1,958,119</u>	<u>1,445,340</u>	<u>150,504</u>	<u>(11,389,991)</u>
General revenues:					
Taxes:					
Property taxes				\$ 8,542,434	
Road & bridge privilege taxes				547,127	
Grants and contributions not restricted to specific program				1,535,264	
Unrestricted investment income				161,048	
Miscellaneous				116,090	
Transfers in from component unit				<u>46,000</u>	
Total General Revenues and Transfers in				<u>10,947,963</u>	
Changes in Net Assets					<u>(442,028)</u>
Net Assets - Beginning, as restated					<u>763,158</u>
Net Assets - Ending					<u>\$ 321,130</u>

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

ADAMS COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2003

Exhibit 3

	Major Funds					Total Governmental Funds
	General Fund	Port and Harbor Fund	Countywide Road Maintenance Fund	Debt Service Fund	Other Governmental Funds	
<b>ASSETS</b>						
Cash	\$ 718,297	\$ 2,690	\$ 289,970	\$ 10,819	\$ 1,775,861	\$ 2,797,637
Cash with fiscal agent	-	-	-	742,870	-	742,870
Accounts receivable, net	-	-	-	-	95,665	95,665
Loans receivable	-	3,004,625	-	-	442,782	3,447,407
Capital lease receivable	-	-	-	-	654,499	654,499
Intergovernmental receivables	190,747	-	-	-	125,522	316,269
Other receivables	201,412	-	-	-	-	201,412
Due from other funds	17,500	148,424	236,790	20,904	379,608	803,226
Advances to other funds	340,399	-	35,000	-	35,500	410,899
Other assets	-	-	-	-	177,178	177,178
Total Assets	<u>\$ 1,468,355</u>	<u>\$ 3,155,739</u>	<u>\$ 561,760</u>	<u>\$ 774,593</u>	<u>\$ 3,686,615</u>	<u>\$ 9,647,062</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Claims payable	\$ 380,413	\$ -	\$ 6,412	\$ -	\$ 146,748	\$ 533,573
Intergovernmental payables	298,553	-	7,677	-	8,170	314,400
Due to other funds	717,468	-	9,000	200,000	19,500	945,968
Advances from other funds	-	-	1,580	77,898	134,585	214,063
Deferred revenue:						
Capital leases	-	-	-	-	654,499	654,499
Other	-	-	-	-	162,826	162,826
Other payables	225,714	-	-	-	-	225,714
Total Liabilities	<u>1,622,148</u>	<u>-</u>	<u>24,669</u>	<u>277,898</u>	<u>1,126,328</u>	<u>3,051,043</u>
Fund balances:						
Reserved for:						
Advances	-	-	35,000	-	35,500	70,500
Loans receivable	-	3,004,625	-	-	442,782	3,447,407
Unreserved, reported in:						
General fund	(153,793)	-	-	-	-	(153,793)
Special revenue funds	-	151,114	502,091	-	1,341,416	1,994,621
Debt service funds	-	-	-	496,695	-	496,695
Capital project funds	-	-	-	-	740,589	740,589
Total Fund Balances	<u>(153,793)</u>	<u>3,155,739</u>	<u>537,091</u>	<u>496,695</u>	<u>2,560,287</u>	<u>6,596,019</u>
Total Liabilities and Fund Balances	<u>\$ 1,468,355</u>	<u>\$ 3,155,739</u>	<u>\$ 561,760</u>	<u>\$ 774,593</u>	<u>\$ 3,686,615</u>	<u>\$ 9,647,062</u>

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

ADAMS COUNTY  
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
 September 30, 2003

Exhibit 3-1

	<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$ 6,596,019
Amounts reported for governmental services in the statement of net assets (Exhibit 1) are different because:	
Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds	
Capital assets net of depreciation as of 10-1-02	12,310,279
Plus capital outlay expenditures made during the year	1,537,589
Less depreciation expense recorded during the year	(778,230)
Less book value of capital assets sold during the year	(59,966)
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Capital leases	567,553
Deferred debt issue costs	316,522
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds.	
Long-tem liabilities	(19,841,023)
Accrued interest on bonds	(131,827)
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets	
	(195,786)
Total net assets - governmental activities (Exhibit 1)	<u><u>\$ 321,130</u></u>

ADAMS COUNTY  
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2003

Exhibit 4

	Major Funds					Total Governmental Funds
	General Fund	Port and Harbor Fund	Countywide Road Maintenance Fund	Debt Service Fund	Other Governmental Funds	
<b>REVENUES</b>						
Property taxes	\$ 5,715,709	\$ -	\$ 284,562	\$ 993,302	\$ 1,548,861	\$ 8,542,434
Road and bridge privilege taxes	-	-	547,127	-	-	547,127
Licenses, commissions and other revenue	456,031	-	-	12,428	61,777	530,236
Fines and forfeitures	245,888	-	35,760	-	26,759	308,407
Intergovernmental revenues	1,257,093	-	712,128	-	1,161,885	3,131,106
Charges for services	170,827	-	-	-	948,651	1,119,478
Interest income	70,470	286	10,379	7,098	83,866	172,099
Miscellaneous revenues	61,374	-	904	-	43,310	105,588
Total Revenues	<u>7,977,392</u>	<u>286</u>	<u>1,590,860</u>	<u>1,012,828</u>	<u>3,875,109</u>	<u>14,456,475</u>
<b>EXPENDITURES</b>						
Current:						
General government	4,756,435	-	-	-	280,626	5,037,061
Public safety	2,840,224	-	-	-	1,199,879	4,040,103
Public works	21,603	168,102	1,315,944	-	1,784,513	3,290,162
Health and welfare	354,656	-	-	-	64,289	418,945
Culture and recreation	63,932	-	-	-	20,184	84,116
Education	1,300	-	-	-	-	1,300
Conservation of natural resources	142,693	-	-	-	-	142,693
Economic development and assistance	27,486	-	-	-	176,500	203,986
Capital outlays	164,167	176,667	150,509	-	1,046,246	1,537,589
Debt service:						
Principal	595,295	-	264,348	605,000	310,926	1,775,569
Interest	365,780	-	45,370	410,608	85,585	907,343
Bond issue costs	-	-	-	178,956	-	178,956
Total Expenditures	<u>9,333,571</u>	<u>344,769</u>	<u>1,776,171</u>	<u>1,194,564</u>	<u>4,968,748</u>	<u>17,617,823</u>
Excess of Revenues over (under) Expenditures	<u>(1,356,179)</u>	<u>(344,483)</u>	<u>(185,311)</u>	<u>(181,736)</u>	<u>(1,093,639)</u>	<u>(3,161,348)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-term capital debt issued	249,447	-	129,554	-	978,845	1,357,846
Long-term non-capital debt issued	892,600	-	-	-	550,000	1,442,600
Refunding bonds issued	-	-	-	7,960,000	-	7,960,000
Proceeds from sale of capital assets	10,239	-	33,620	-	26,663	70,522
Compensation for loss of capital assets	-	-	-	15,724	-	15,724
Transfers in	175,933	499,904	114,500	404,282	257,487	1,452,106
Transfers out	(445,355)	-	-	-	(1,006,751)	(1,452,106)
Transfers in from component unit	-	-	-	-	46,000	46,000
Lease principal payments	-	-	-	-	64,582	64,582
Payment to bond refunding escrow agent	-	-	-	(7,457,239)	-	(7,457,239)
Total Other Financing Sources and Uses	<u>882,864</u>	<u>499,904</u>	<u>277,674</u>	<u>922,767</u>	<u>916,826</u>	<u>3,500,035</u>
SPECIAL ITEM (describe)						-
EXTRAORDINARY ITEM (describe)						-
Net Changes in Fund Balances	<u>(473,315)</u>	<u>155,421</u>	<u>92,363</u>	<u>741,031</u>	<u>(176,813)</u>	<u>338,687</u>
Fund Balance - Beginning as restated	<u>319,522</u>	<u>3,000,318</u>	<u>444,728</u>	<u>(244,336)</u>	<u>2,737,100</u>	<u>6,257,332</u>
Fund Balances - Ending	<u>\$ (153,793)</u>	<u>\$ 3,155,739</u>	<u>\$ 537,091</u>	<u>\$ 496,695</u>	<u>\$ 2,560,287</u>	<u>\$ 6,596,019</u>

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

Adams 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, 2003

Exhibit 4-1

Net changes in fund balances - total governmental funds (Exhibit 4) \$ 338,687

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 \$1,537,589 exceeded depreciation of \$778,230 in the current period. 759,359

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 and loss from the sale of capital assets decrease financial resources. Thus, the change in net assets differs from the change in fund balances by the difference in the amount of the gain of \$10,556 and the proceeds from the sale of \$70,522 in the current period. (59,966)

In the statement of activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest proceeds increase financial resources. Thus, the change in net assets differs from change in fund balances by the principal collections on the capital leases. (64,582)

Debt proceeds provide current financial resources to governmental 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 debt proceeds of \$10,760,446 exceeded debt repayments and adjustments of \$8,495,569. (2,264,877)

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:

Capitalize and amortize bond issue costs and deferred interest on refunded bonds	781,790
Accrued interest on long-term liabilities	80,182
Increase in liability for compensated absences	(30,202)

An internal service fund is used by management to charge the cost of insurance to individual funds. The net revenue (expense) is reported within governmental activities. 17,581

Change in net assets of governmental activities (Exhibit 2) \$ (442,028)

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

ADAMS COUNTY  
Statement of Net Assets  
Self-funded Health Insurance Internal Service Fund  
September 30, 2003

Exhibit 5

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 1,050
Advances to other funds	<u>9,164</u>
Total Current Assets	<u>10,214</u>
<b>LIABILITIES</b>	
Current liabilities:	
Advances from other funds	206,000
Current portions of long-term non-capital debt:	
Claims and judgments payable	<u>185,920</u>
Total Current Liabilities	<u>391,920</u>
<b>NET ASSETS</b>	
Unrestricted	<u>(381,706)</u>
Total Net Assets	<u>\$ (381,706)</u>

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

ADAMS COUNTY  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Self-funded Health Insurance Internal Service Fund  
For the Year Ended September 30, 2003

Exhibit 6

	<u>Governmental Activities</u>
	Internal Service Fund
Operating Revenues	
Charges for services	\$ 1,291,319
Operating Expenses	
Claims payment	1,047,576
Insurance premiums	<u>227,136</u>
Total Operating Expenses	<u>1,274,712</u>
Operating Income (Loss)	16,607
Nonoperating Revenues (Expenses)	
Interest income	<u>974</u>
Changes in net assets	17,581
Net Assets - Beginning	<u>(399,287)</u>
Net Assets Ending	<u><u>\$ (381,706)</u></u>

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

ADAMS COUNTY  
Statement of Cash Flows - Proprietary Fund  
Self-funded Health Insurance Internal Service Fund  
For the Year Ended September 30, 2003

Exhibit 7

	<u>Governmental Activities</u>
	Internal Service Fund
Cash Flows From Operating Activities	
Receipts for premiums	\$ 1,266,319
Payments for claims	(1,042,589)
Payments for insurance premiums	(227,136)
Net Cash Provided by Operating Activities	<u>(3,406)</u>
Cash Flows From Investing Activities	
Interest and dividends on investments	974
Net Cash Provided by Investing Activities	<u>974</u>
Net (Decrease) in Cash and Cash Equivalents	(2,432)
Cash and Cash Equivalents at Beginning of Year	<u>3,482</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,050</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 16,607
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
(Decrease) in advances from other funds	(25,000)
Increase in claims and judgments liability	4,987
Total Adjustments	<u>(20,013)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (3,406)</u>

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

ADAMS COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2003

Exhibit 8

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments	\$ 351,585
Due from other funds	142,742
Total Assets	<u>\$ 494,327</u>
<b>LIABILITIES</b>	
Held in custody for others	\$ 494,327
Total Liabilities	<u>\$ 494,327</u>

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

# ADAMS COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2003

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

#### A. Financial Reporting Entity.

Adams 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 Adams 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 units, which have significant operational or financial relationships 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.

- Adams County Port Commission
- Natchez Regional Medical Center
- Adams County Airport Commission
- Natchez Adams County Development Authority

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
- Tax Collector
- Sheriff

#### B. Blended Component Unit.

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

Adams County Public Improvement Corporation was incorporated as a nonprofit under Section 31-8-3, Miss. Code Ann. (1972) that allows counties to enter into lease agreements with any corporation. The Corporation's three-member board of directors is appointed by the Board of Supervisors. The Corporation produces a financial benefit through its ability to finance the construction of capital facilities for the primary government and imposes a financial burden on the primary government by obligating funds to repay the debt pursuant to a lease agreement.

#### C. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements, which provide a detailed level of financial information.

# ADAMS COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2003

### C. Basis of Presentation - Continued

#### Government-wide Financial Statements:

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

The Statement of Net Assets presents the financial condition of the governmental activities and business-type 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 and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the county, with certain limited exceptions. Internal service fund balances have been eliminated against the expenses and program revenue. The comparison of direct expenses with program revenues identifies the extent to which each business segment or 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/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

### D. Measurement Focus and Basis of Accounting.

The government-wide, proprietary fund 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.

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.

# ADAMS COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2003

### D. Measurement Focus and Basis of Accounting – Continued

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.

**Port and Harbor Fund** - Accounts for monies loaned to the Adams County Port Commission, a component unit.

**Countywide road maintenance fund** - Accounts for monies from specific revenue sources that are restricted for road maintenance.

**Debt service fund** - Accounts for resources accumulated and used for the payment of long-term debt principal, interest and related costs of borrowing used for road projects.

#### 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.

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 bond issues and federal grants.

#### PROPRIETARY FUND TYPES

Internal Service Funds - These funds are used to account for those operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The county's internal service fund reports on self-insurance programs for employee medical benefits.

#### 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.

### E. Account Classifications.

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

### F. Deposits and Investments.

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

# ADAMS COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2003

F. Deposits and Investments - Continued

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

G. Receivables.

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

H. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a 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.

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 or business-type activities column in the government-wide financial statement. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. 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.

General infrastructure assets acquired after October 1, 2002, are reported in the basic 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 of capital assets are reported in the government-wide statements and proprietary funds. 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	*	*

# ADAMS COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2003

### I. Capital Assets - Continued

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

General infrastructure assets acquired after September 30, 1980, are not reported on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

### J. Long-term liabilities.

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

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### K. Equity Classifications.

Government-wide Financial Statements:

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

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

## ADAMS COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2003

#### L. Property Tax Revenues.

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

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

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

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

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

#### N. Compensated Absences.

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

Therefore, the county's full liability in the amount of \$219,323 for accumulated unpaid personal leave up to a maximum of 30 days per employee is reported as a liability in the Statement of Net Assets

#### (2) Changes in Accounting Principles and Restatement of Fund Balance.

For the fiscal year ended September 30, 2003, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

GASB Statement No. 34, as amended by Statement No. 37, creates new basic financial statements for reporting on the county's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements prepared on the modified accrual basis of accounting, which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total on the fund financial statements as other governmental funds. Fund reclassifications and

ADAMS COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2003

(2) Changes in Accounting Principles and Restatement of Fund Balance - Continued

adjustments to the fund equities reported in the prior year financial statements were required as a result of the conversion to GASB Statement No. 34.

GASB Statement No. 38 requires certain note disclosures with the implementation of GASB Statement No. 34.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

ADAMS COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2003

(2) Changes in Accounting Principles and Restatement of Fund Balance - Continued

The provisions of these new statements have been incorporated into the financial statements and the accompanying notes. The following table summarizes the reclassifications and adjustments to the fund equity amounts reported in the prior year financial statements:

	Sept.30, 2002 As Reported	Fund and Account Reclassifications	Prior Period Adjustment	Sept.30, 2002 As Restated
Governmental Funds and Governmental Activities				
Major Funds:				
General Fund	\$ 321,099	\$ (1,577)	\$ -	\$ 319,522
Port and Harbor Fund	-	3,000,318	-	3,000,318
Countywide Road Maintenance Fund	-	444,728	-	444,728
Debt Service Fund	-	(244,336)	-	(244,336)
Other Governmental Funds:	-	-	-	-
Special Revenue	5,376,642	(3,414,776)	-	1,961,866
Debt Service	(244,336)	244,336	-	-
Capital Projects	777,061	(1,827)	-	775,234
<b>Total Governmental Funds</b>	<b>6,230,466</b>	<b>26,866</b>	<b>-</b>	<b>6,257,332</b>
Governmental Activities:				
Capital assets, net	-	20,137,829	(7,827,550)	12,310,279
Long-term liabilities	-	(18,039,412)	-	(18,039,412)
Internal service	(399,287)	-	-	(399,287)
Capital lease receivable	-	-	632,135	632,135
Bond issue costs and deferred interest	-	-	214,121	214,121
Accrued interest payable	-	-	(212,010)	(212,010)
<b>Total Governmental Funds and Governmental Activities</b>	<b>\$ 5,831,179</b>	<b>\$ 2,125,283</b>	<b>\$ (7,193,304)</b>	<b>\$ 763,158</b>
Fiduciary Funds				
Expendable Trust	\$ 26,866	\$ (26,866)	\$ -	\$ -
Account Groups				
General Fixed Assets	\$ 20,137,829	\$ (20,137,829)	\$ -	\$ -
General Long-term Debt	(18,039,412)	18,039,412	-	-
<b>Total Account Groups</b>	<b>\$ 2,098,417</b>	<b>\$ (2,098,417)</b>	<b>\$ -</b>	<b>\$ -</b>

ADAMS COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2003

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2003, was \$3,893,143, and the bank balance was \$4,011,405. 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.

(4) Loans Receivable

Loans receivable balances at September 30, 2003, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Balance Payable
Adams County Port Commission	11/01/97	5.20%	11/17	\$ 3,000,000
Mississippi River Corporation CDBG loan	06/01/92	6.25%	1/13	442,782
Adams County Port Commission - Other				<u>4,625</u>
<b>Total</b>				<b><u><u>\$ 3,447,407</u></u></b>

The Adams County Port Commission loan of \$3,000,000 represents the amount of a November 1, 1997 loan agreement between Adams County and the Mississippi Development Bank (see Note 11). This loan receivable has been recorded by the county since the debt is to be repaid from revenues of the Port Commission, provided funds are available. For the last three fiscal years, the county has made the principal and interest payments totaling \$759,429 due to a shortage of funds at the Port Commission.

The Adams County Port Commission loan of \$4,625 was made to assist the Port in the payment of insurance premiums, and repayment is expected in the subsequent fiscal year.

ADAMS COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2003

(5) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2003:

Classes of Property	Amount
Buildings	\$ 1,452,527

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2003, are as follows:

Year Ended September 30	Principal	Interest	Total
2004	\$ 67,046	\$ 20,221	\$ 87,267
2005	69,604	17,663	87,267
2006	72,259	15,008	87,267
2007	75,016	12,251	87,267
2008	77,878	9,389	87,267
2009-2013	205,750	12,414	218,164
Total	\$ 567,553	\$ 86,946	\$ 654,499

As Lessee:

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

Classes of Property	Governmental Activities
Buildings	\$ 1,767,004
Mobile equipment	2,752,338
Other furniture and equipment	633,003
Total	5,152,345
Less Accumulated Depreciation	(1,055,722)
Leased Property Under Capital Leases	\$ 4,096,623

ADAMS COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2003

(5) Capital Leases - Continued

The following is a schedule by years of the total payments due as of September 30, 2003:

Year Ended September 30	Governmental Activities	
	Principal	Interest
2004	\$ 792,190	\$ 167,526
2005	1,150,284	132,046
2006	415,130	82,316
2007	333,826	64,173
2008	329,456	49,520
2009-2013	737,861	68,592
<b>Total</b>	<b>\$ 3,758,747</b>	<b>\$ 564,173</b>

(6) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2003:

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
Major Funds:		
General Fund	Nonmajor Governmental Funds	\$ 8,500
General Fund	Countywide Road Maintenance Fund	9,000
Port and Harbor Fund	General Fund	148,424
Countywide Road Maintenance Fund	General Fund	236,790
Debt Service Fund	General Fund	20,904
Nonmajor Governmental Funds	Debt Service Fund	150,000
Nonmajor Governmental Funds	General Fund	229,608
Agency Funds	General Fund	81,742
Agency Funds	Debt Service Fund	50,000
Agency Funds	Nonmajor Governmental Funds	11,000
<b>Total</b>		<b>\$ 945,968</b>

The purpose of the due from/due to other funds balances was to provide funds for operating purposes.

All interfund balances are expected to be repaid within one year from the date of the financial statements.

ADAMS COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2003

(6) Interfund Transactions and Balances – Continued

B. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
Major Funds:		
General Fund	Debt Service Fund	\$ 77,899
General Fund	Nonmajor Governmental Funds	56,500
General Fund	Internal Service Fund	206,000
Countywide Road Maintenance Fund	Nonmajor Governmental Funds	35,000
Nonmajor Governmental Funds	Nonmajor Governmental Funds	35,500
Internal Service Fund	Countywide Road Maintenance Fund	1,580
Internal Service Fund	Nonmajor Governmental Funds	7,584
		\$ 420,063
Total		

The purpose of the advances from/advances to balances was to provide funds for operating purposes.

C. Transfers In/Out

Transfer In	Transfer Out	Amount
Major Funds:		
General Fund	Nonmajor Governmental Funds	\$ 175,934
Port and Harbor Fund	General Fund	387,755
Port and Harbor Fund	Nonmajor Governmental Funds	112,149
Countywide Road Maintenance Fund	Nonmajor Governmental Funds	114,500
Debt Service Fund	Nonmajor Governmental Funds	404,282
Nonmajor Governmental Funds	General Fund	57,600
Nonmajor Governmental Funds	Nonmajor Governmental Funds	199,886
		\$ 1,452,106
Total		

The principal purpose of interfund transfers was to provide funds for grant matches or to provide funds to pay for capital outlay. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

ADAMS COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2003

(7) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2003 consisted of the following:

Governmental Activities:

Description	Amount
Legislative tag credit	\$ 155,060
State and local gaming revenues	50,092
Adolescent Offenders Program Grant	41,837
Metro Narcotics Grant	28,276
Other	41,004
	<hr/>
Total	\$ 316,269
	<hr/> <hr/>

(8) Other Receivables.

The following is a summary of other receivables balances at September 30, 2003:

Description	Amount
County official	\$ 195,861
Other	5,551
	<hr/>
Total	\$ 201,412
	<hr/> <hr/>

ADAMS COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2003

(9) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2003:

Governmental activities:

	Balance October 1, 2002	Additions	Deletions	Adjustments	Balance September 30, 2003
<b>Non-depreciable capital assets:</b>					
Land	\$ 1,986,859	\$ -	\$ -	\$ -	\$ 1,986,859
Construction in progress	-	197,622	-	-	197,622
<b>Total non-depreciable capital assets</b>	<b>1,986,859</b>	<b>197,622</b>	<b>-</b>	<b>-</b>	<b>2,184,481</b>
<b><u>Depreciable capital assets:</u></b>					
Infrastructure	-	-	-	-	-
Buildings	9,008,831	113,986	-	(353,777)	8,769,040
Improvements other than buildings	-	-	-	-	-
Mobile equipment	2,616,985	30,759	219,102	142,575	2,571,217
Furniture and equipment	1,999,074	315,175	-	(1,328,162)	986,087
Leased property under capital leases	4,526,080	880,047	23,625	(230,157)	5,152,345
<b>Total depreciable capital assets</b>	<b>18,150,970</b>	<b>1,339,967</b>	<b>242,727</b>	<b>(1,769,521)</b>	<b>17,478,689</b>
<b><u>Less accumulated depreciation for:</u></b>					
Infrastructure	-	-	-	-	-
Buildings	-	146,386	-	2,841,215	2,987,601
Improvements other than buildings	-	-	-	-	-
Mobile equipment	-	128,085	178,509	2,145,039	2,094,615
Furniture and equipment	-	79,794	-	435,766	515,560
Leased property under Capital leases	-	423,965	4,252	636,009	1,055,722
<b>Total accumulated depreciation</b>	<b>-</b>	<b>778,230</b>	<b>182,761</b>	<b>6,058,029</b>	<b>6,653,498</b>
<b>Total depreciable capital assets, net</b>	<b>18,150,970</b>	<b>561,737</b>	<b>59,966</b>	<b>(7,827,550)</b>	<b>10,825,191</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 20,137,829</b>	<b>\$ 759,359</b>	<b>\$ 59,966</b>	<b>\$ (7,827,550)</b>	<b>\$ 13,009,672</b>

The adjustments column above eliminates beginning fixed assets which do not meet the capitalization thresholds and adjusts beginning accumulated depreciation in accordance with GASB Statement No. 34.

## ADAMS COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2003

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 156,985
Public safety	337,430
Public works	283,815
Health and welfare	-
Culture and recreation	-
Total governmental activities depreciation expense	\$ 778,230

As of September 30, 2003, the county had the following commitments with respect to unfinished capital projects:

Description of Commitment	Financial Commitment	Expected Date of Completion
Infrastructure - Road from Coast Guard to River Cement	\$ 26,992	September, 2004

(10) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$500,000 for law enforcement personnel and \$350,000 for all other employees for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2003, to January 1, 2004. 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 is exposed to risk of loss relating to employee health, accident and dental coverage. Beginning in May 1995 and pursuant to Section 25-15-101, Miss. Code Ann. (1972), the county established a risk management fund (included as an Internal Service Fund) to account for and finance its uninsured risk of loss. Under the plan, amounts payable to the risk management fund are based on actuarial estimates. Each participating public entity, including Adams County, pays the premium on a single coverage policy for its respective employees. Employees desiring additional and/or dependent coverage pay the additional premium through a payroll deduction. Premium payments to the risk management fund are determined on an actuarial basis. The county has a minimum uninsured risk retention to the extent that actual claims submitted exceed the predetermined premium. The county has implemented the following plans to minimize this potential loss:

ADAMS COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2003

(10) Claims and Judgments – Continued

The county has purchased coinsurance which functions on two separate stop loss coverages: specific and aggregate. These coverages are purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant’s claim exceeds \$45,000, and the aggregate policy covers all submitted claims in excess of \$70,000.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs).

At September 30, 2003, the amount of these liabilities was \$185,920. An analysis of claims activities is presented below:

		Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments		Balance at Fiscal Year End
	2001-2002	\$ 10,500	945,949	775,516	\$	180,933
	2002-2003	\$ 180,933	1,047,576	1,042,589	\$	185,920

(11) Long-term Debt.

Debt outstanding as of September 30, 2003, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Port bonds	\$ 145,000	7.20%	05/06
Debt refunding bonds - Series 2002	4,185,000	3.0/4.4%	08/12
Taxable urban renewal bonds - Series 2002	835,000	6.51%	04/12
Total general obligation bonds	<u>\$ 5,165,000</u>		
B. Limited Obligation Bonds:			
Special obligation refunding bonds - Series 2003	<u>\$ 7,960,000</u>	2.6 - 5.0%	07/24

ADAMS COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2003

(11) Long-term Debt – Continued

C. Capital Leases:

Energy efficient equipment	772,091	5.10%	07/10
Trucks, tractors and mowers	377,886	5.50%	08/05
Fire equipment	38,520	5.35%	03/05
Road equipment	173,278	4.94%	07/05
Sheriff vehicles	116,495	3.26%	12/04
Energy efficient equipment	607,576	4.85%	08/12
Road equipment	630,757	3.89%	05/05
Sheriff vehicles	102,062	2.72%	05/06
Computer equipment	131,683	4.05%	02/08
E-911 equipment	592,476	4.15%	11/09
Road equipment	215,923	2.94%	09/08
	<u>          </u>		
Total capital leases	<u><u>\$ 3,758,747</u></u>		

D. Other Loans:

CDBG loan	442,781	6.25%	01/13
CAP loan	569,744	3.75%	04/11
Adams County Port revolving loan	476,296	3.00%	03/09
Revenue shortfall loan 2003	892,600	3.67%	08/06
Capital expenditure loan 2003	550,000	2.60%	08/08
Market Street building renovation	300,000	1.25%	12/12
	<u>          </u>		
Total other loans	<u><u>\$ 3,231,421</u></u>		

ADAMS COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2003

(11) 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		Special Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 515,000	\$ 229,582	\$ -	\$ 294,829	\$ 601,048	\$ 111,958
2005	540,000	209,785	-	353,795	617,490	91,097
2006	555,000	186,778	-	353,795	634,419	69,608
2007	530,000	163,095	445,000	353,795	341,926	47,470
2008	550,000	139,761	465,000	342,225	353,158	36,057
2009 - 2013	2,475,000	298,006	2,595,000	1,458,813	683,380	51,854
2014 - 2018	-	-	3,290,000	801,500		
2019 - 2023	-	-	1,010,000	160,750		
2024 - 2028	-	-	155,000	7,750		
	<u>\$ 5,165,000</u>	<u>\$ 1,227,007</u>	<u>\$ 7,960,000</u>	<u>\$ 4,127,252</u>	<u>\$ 3,231,421</u>	<u>\$ 408,044</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, 2003, the amount of outstanding debt was equal to 7.23% of the latest property assessments.

Advance Refunding - On September 17, 2003, the county issued \$7,960,000 in special obligation bonds with an average interest rate of 4.72% to advance refund \$6,720,000 of the following outstanding bond issue:

Issue	Average Interest Rate	Outstanding Amount Refunded
Construction loan	4.5/5.4%	\$ 520,000
Juvenile Detention Center note	5.13/7.0%	3,520,000
Adams County Port project loan	5.20%	<u>2,680,000</u>
Total		<u>\$ 6,720,000</u>

The net proceeds of \$7,784,044 (after payment of \$178,956 in underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, those bonds are considered to be defeased, and the liability for those bonds has been removed from the Statement of Net Assets.

The county advance refunded the above bonds to reduce its total debt service payments over the next 5 years by almost \$606,000; however, the advance refunding resulted in an economic loss of \$741,959.

# ADAMS COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2003

(11) Long-term Debt – Continued

The special obligation bonds were issued by the Mississippi Development Bank (MDB) and are not general obligation of the county and do not constitute a pledge of the full faith and credit of the county. Instead the county has a binding obligation to make payments in accordance with the terms of a note and loan agreement with MDB; but nothing in the loan agreement or note creates a lien of any kind or character whatsoever upon any funds, income or revenue now existing or hereafter available to the county or restricts the county from pledging or creating specific liens for the payment of other obligations.

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, 2003, \$4,010,000 of bonds outstanding were considered defeased.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2003:

	Balance Oct. 1, 2002	Additions	Reductions	Adjustments	Balance Sept. 30, 2003	Amount due within one year
<b>Bonds and notes payable:</b>						
General obligation bonds	\$ 5,655,000	\$ -	\$ 490,000	\$ -	\$ 5,165,000	\$ 515,000
Special obligation bonds	90,000	7,960,000	90,000	-	7,960,000	-
Capital leases	3,438,093	1,057,846	737,192	-	3,758,747	792,191
Other loans	8,667,198	1,742,600	458,377	(6,720,000)	3,231,421	601,048
	<u>17,850,291</u>	<u>10,760,446</u>	<u>1,775,569</u>	<u>(6,720,000)</u>	<u>20,115,168</u>	<u>1,908,239</u>
Less deferred amount on refundings	-	(679,388)	-	-	(679,388)	
Total bonds and notes payable	<u>17,850,291</u>	<u>10,081,058</u>	<u>1,775,569</u>	<u>(6,720,000)</u>	<u>19,435,780</u>	<u>1,908,239</u>
Compensated absences	189,121	30,202	-	-	219,323	219,323
Claims and judgements	180,933	1,047,576	1,042,589	-	185,920	185,920
	<u>189,121</u>	<u>1,077,778</u>	<u>1,042,589</u>	<u>-</u>	<u>405,243</u>	<u>405,243</u>
<b>Total</b>	<u><u>\$18,220,345</u></u>	<u><u>\$11,158,836</u></u>	<u><u>\$ 2,818,158</u></u>	<u><u>\$ (6,720,000)</u></u>	<u><u>\$ 19,841,023</u></u>	<u><u>\$ 2,313,482</u></u>

The adjustment of \$6,720,000 is to remove bonds that were defeased during the year.

ADAMS COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2003

(12) Deficits Fund Balance of Individual Funds.

The following funds had deficit fund balances at September 30, 2003:

Fund	Deficit Amount
General fund	\$ 153,793
Special Revenue Funds:	
MS Victims of Crime	\$ 3,185
MAPS Grant	8,944
Law Library	885
Waste Collection and Disposal	25,634

The following fund had a deficit retained earnings balance at September 30, 2003:

Fund	Deficit Amount
Internal Service Fund:	
Self-funded health insurance	\$ 381,706

(13) 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, 2003:

Fund	Excess
Major Funds:	
General Fund	\$ 172,352
Port and Harbor	186,721
Debt Service Fund	203,564
Special Revenue Funds:	
COPS More Grant	1,789
Adolescent Offenders Grant	1,863
Emergency 911	843,610
Adams County Drug Court	34,618
Capital projects funds:	
Building Replacement	19,706
Agency funds:	
Copiah-Lincoln Community College Improvement	9,810
Internal service fund:	
Self-funded health insurance	630,348

All 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.

ADAMS COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2003

(14) Contingencies.

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

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

General Obligation Debt Contingencies - The county issues general obligation notes to provide funds for constructing and improving capital facilities of the Natchez-Adams County School District. Such debt is being retired from pledged resources of the school district and, therefore, is reported as a liability of the school district. However, because general obligation notes are backed by the full faith, credit and taxing power of the county, the county remains contingently liable for its retirement.

The principal amount of such debt outstanding at year end is as follows:

Description	Balance at Sept. 30, 2003
General obligation school notes	\$ 9,800

Hospital Revenue Bond Contingencies - The county issues revenue bonds to provide funds for constructing and improving capital facilities of the Natchez Regional Medical Center. Revenue bonds are reported as a liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the county remains contingently liable for the retirement of these bonds because the full faith, credit and taxing power of the county is secondarily pledged in case of default by the hospital. The principal amount of hospital revenue bonds outstanding at September 30, 2003, is \$11,424,466.

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

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

Description	Balance at Sept. 30, 2003
Industrial revenue bonds	\$ 81,997,650

(16) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Copiah-Lincoln Community College operates in a district composed of the Counties of Adams, Copiah, Franklin,

# ADAMS COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2003

(16) Jointly Governed Organizations – Continued

Jefferson, Lawrence, Lincoln and Simpson. The Adams County Board of Supervisors appoints five of the 27 members of the college board of trustees. The county appropriated \$794,924 for maintenance and support of the college in fiscal year 2003.

Southwest Mississippi Planning and Development District operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Adams County Board of Supervisors appoints four of the 40 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$43,220 for the support of the district in fiscal year 2003.

Southwest Mississippi Mental Health Complex operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Adams County Board of Supervisors appoints one of the ten members of the board of commissioners. The county appropriated \$77,000 for its support in fiscal year 2003.

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

(18) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2003, 2002 and 2001 were \$515,959, \$493,787 and \$463,084, respectively, equal to the required contributions for each year.

(19) Other Information.

As a result of revenue shortfalls, the State tax Commission had to withhold 7.9% of the March 2003 homestead exemption reimbursement from local governments. The amount withheld from Adams during the 2002-2003 fiscal year was \$30,979.

(20) Subsequent Events.

Subsequent to September 30, 2003, the county issued the following debt obligation:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
05/14/04	3.625	\$ 300,000	Other loan	Tax revenues

ADAMS COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

Adams County  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2003

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 5,774,850	\$ 5,774,850	\$ 5,701,715	\$ (73,135)
Road and bridge privilege taxes	-	-	-	-
Licenses, commissions and other revenue	385,767	385,767	455,996	70,229
Fines and forfeitures	470,000	470,000	245,888	(224,112)
Special assessments	-	-	-	-
Contributions to permanent funds	-	-	-	-
Intergovernmental revenues	2,179,536	2,179,536	1,679,140	(500,396)
Charges for services	215,500	215,500	170,827	(44,673)
Interest income	54,950	54,950	70,579	15,629
Miscellaneous revenues	44,700	44,700	53,310	8,610
Total Revenues	<u>9,125,303</u>	<u>9,125,303</u>	<u>8,377,455</u>	<u>(747,848)</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,820,762	3,820,762	4,026,540	(205,778)
Public safety	3,081,386	3,081,386	3,020,188	61,198
Public works	-	-	21,603	(21,603)
Health and welfare	358,751	358,751	358,734	17
Culture and recreation	55,314	55,314	63,359	(8,045)
Education	411,054	411,054	408,942	2,112
Conservation of natural resources	149,679	149,679	142,693	6,986
Economic development and assistance	27,800	27,800	29,079	(1,279)
Debt service:				
Principal	499,687	499,687	488,868	10,819
Interest	341,894	341,894	360,173	(18,279)
Bond issue costs	1,500	1,500	-	1,500
Total Expenditures	<u>8,747,827</u>	<u>8,747,827</u>	<u>8,920,179</u>	<u>(172,352)</u>
Excess of Revenues over (under) Expenditures	<u>377,476</u>	<u>377,476</u>	<u>(542,724)</u>	<u>(920,200)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term debt issued	110,000	110,000	102,063	(7,937)
Refunding bonds issued	-	-	-	-
Proceeds from sale of capital assets	14,000	14,000	10,239	(3,761)
Premiums on bonds issued	-	-	-	-
Compensation for loss of capital assets	10,000	10,000	7,773	(2,227)
Transfers in	491,900	491,900	1,373,854	881,954
Transfers out	(995,240)	(995,240)	(1,394,484)	(399,244)
Payment to bond refunding escrow agent	-	-	-	-
Discount on bonds issued	-	-	-	-
Other financing sources	-	-	-	-
Other financing uses	-	-	-	-
Total Other Financing Sources and Uses	<u>(369,340)</u>	<u>(369,340)</u>	<u>99,445</u>	<u>468,785</u>
Net Change in Fund Balance	8,136	8,136	(443,279)	(451,415)
Fund Balances - Beginning	509,658	509,658	509,658	-
Fund Balances - Ending	<u>\$ 517,794</u>	<u>\$ 517,794</u>	<u>\$ 66,379</u>	<u>\$ (451,415)</u>

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

Adams County  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Port and Harbor Fund  
 For the Year Ended September 30, 2003

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Road and bridge privilege taxes				-
Licenses, commissions and other revenue				-
Fines and forfeitures				-
Special assessments				-
Contributions to permanent funds				-
Intergovernmental revenues				-
Charges for services				-
Interest income	400	400	201	(199)
Miscellaneous revenues				-
Total Revenues	<u>400</u>	<u>400</u>	<u>201</u>	<u>(199)</u>
<b>EXPENDITURES</b>				
Current:				
General government				-
Public safety				-
Public works			186,721	(186,721)
Health and welfare				-
Culture and recreation				-
Education				-
Conservation of natural resources				-
Economic development and assistance				-
Debt service:				
Principal				-
Interest				-
Bond issue costs				-
Total Expenditures	<u>-</u>	<u>-</u>	<u>186,721</u>	<u>(186,721)</u>
Excess of Revenues over (under) Expenditures	<u>400</u>	<u>400</u>	<u>(186,520)</u>	<u>(186,920)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term debt issued				-
Refunding bonds issued				-
Proceeds from sale of capital assets				-
Premiums on bonds issued				-
Compensation for loss of capital assets				-
Transfers in			499,904	499,904
Transfers out	(400)	(400)	(158,102)	(157,702)
Payment to bond refunding escrow agent				-
Discount on bonds issued				-
Other financing sources				-
Other financing uses				-
Total Other Financing Sources and Uses	<u>(400)</u>	<u>(400)</u>	<u>341,802</u>	<u>342,202</u>
Net Change in Fund Balance	-	-	155,282	155,282
Fund Balances - Beginning	318	318	318	-
Fund Balances - Ending	<u>\$ 318</u>	<u>\$ 318</u>	<u>\$ 155,600</u>	<u>\$ 155,282</u>

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

Adams County  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Co-Wide Road Maintenance Fund  
 For the Year Ended September 30, 2003

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 282,308	\$ 282,308	\$ 286,297	\$ 3,989
Road and bridge privilege taxes	620,000	620,000	674,513	54,513
Licenses, commissions and other revenue	-	-	-	-
Fines and forfeitures	119,000	119,000	35,760	(83,240)
Special assessments	-	-	-	-
Contributions to permanent funds	-	-	-	-
Intergovernmental revenues	902,548	902,548	809,777	(92,771)
Charges for services	-	-	-	-
Interest income	5,000	5,000	9,888	4,888
Miscellaneous revenues	-	-	904	904
Total Revenues	<u>1,928,856</u>	<u>1,928,856</u>	<u>1,817,139</u>	<u>(111,717)</u>
<b>EXPENDITURES</b>				
Current:				
General government				-
Public safety				-
Public works	2,009,564	2,009,564	1,852,265	157,299
Health and welfare				-
Culture and recreation				-
Education	207,092	207,092	218,119	(11,027)
Conservation of natural resources				-
Economic development and assistance				-
Debt service:				
Principal				-
Interest			158	(158)
Bond issue costs				-
Total Expenditures	<u>2,216,656</u>	<u>2,216,656</u>	<u>2,070,542</u>	<u>146,114</u>
Excess of Revenues over (under) Expenditures	<u>(287,800)</u>	<u>(287,800)</u>	<u>(253,403)</u>	<u>34,397</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term debt issued	265,200	265,200	129,554	(135,646)
Refunding bonds issued				-
Proceeds from sale of capital assets	87,600	87,600	33,620	(53,980)
Premiums on bonds issued				-
Compensation for loss of capital assets	12,000	12,000		(12,000)
Transfers in			114,500	114,500
Transfers out			-	-
Payment to bond refunding escrow agent				-
Discount on bonds issued				-
Other financing sources				-
Other financing uses				-
Total Other Financing Sources and Uses	<u>364,800</u>	<u>364,800</u>	<u>277,674</u>	<u>(87,126)</u>
Net Change in Fund Balance	77,000	77,000	24,271	(52,729)
Fund Balances - Beginning	489,628	489,628	489,628	-
Fund Balances - Ending	<u>\$ 566,628</u>	<u>\$ 566,628</u>	<u>\$ 513,899</u>	<u>\$ (52,729)</u>

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

ADAMS COUNTY

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

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 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.

For the year ended September 30, 2003, the county implemented GASB Statement No. 41 - *Budgetary Comparison Schedules - Perspective Differences, which amends Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The statement clarifies the budgetary presentation requirements. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types		
	General Fund	Port and Harbor Fund	Countywide Road Maintenance Fund
Budget (Cash Basis)	\$ (443,279)	\$ 155,282	\$ 24,271
Increase (Decrease)			
Net adjustments for revenue accruals	16,811	139	(8,160)
Net adjustments for expenditure accruals	(46,847)		76,252
GAAP Basis	\$ (473,315)	\$ 155,421	\$ 92,363

ADAMS COUNTY

SUPPLEMENTAL INFORMATION

ADAMS COUNTY  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2003

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<b>MAJOR FEDERAL AWARDS</b>			
U. S. Department of Health and Human Services/Passed-through the Mississippi Department of Human Services			
Temporary assistance for needy families (AOP)	93.558	111W131	\$ 185,232
Temporary assistance for needy families (Family First)	93.558	313WC21	<u>136,910</u>
Total expenditures of Major Federal Programs:			<u>322,142</u>
<b>OTHER FEDERAL AWARDS</b>			
U. S. Department of Justice - Office of Justice Programs/ Passed-through the Mississippi Department of Public Safety			
Juvenile accountability incentive block grant	16.523	PJB1011	<u>35,465</u>
Edward Byrne Memorial drug court grant	16.540	0JD1011	36,187
Mediation grant - Youth court DPSP deinstitutionalization	16.540	1DS5061	20,981
Highway safety grant - electronic monitoring	16.540	1DS1011	<u>3,483</u>
Total			<u>60,651</u>
CASA - Victims of child abuse	16.547	1NW1015	<u>24,272</u>
Crime assistance program - D. A. victims of crime	16.575	1VA1011	<u>6,951</u>
Edward Byrne memorial state and local law enforcement assistance discretionary grants program -metro narcotics	16.579	2NM1011	<u>114,928</u>
Local law enforcement block grant	16.592	2000LBBX024	67,725
Local law enforcement block grant - vests	16.592		<u>14,536</u>
			<u>82,261</u>
Public Safety Partnership & community policing grants	16.710		<u>1,579</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>2,970</u>
Total Expenditures of Other Federal Awards			<u>329,077</u>
Total Expenditures of Federal Awards			<u>\$ 651,219</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

Note B - Loan guarantee

The balance outstanding at September 30, 2003 of federal award received in a previous year under CFDA #14.228 and expended in the form of a loan made to Mississippi River Corporation is \$442,782.

ADAMS COUNTY

SPECIAL REPORTS

# SWITZER, HOPKINS & MANGE

## Certified Public Accountants

DENNIS R. SWITZER, CPA  
H. MYLES HOPKINS, CPA  
SUSAN L. MANGE, CPA

JOHN M. JONES, CPA 1921 - 1983

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

Members of the Board of Supervisors  
Adams County, Mississippi

We have audited the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Adams County, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated July 20, 2004. The auditors' 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 and the county did not maintain adequate internal controls to assure the existence, completeness and valuation of fines receivable as required by accounting principles generally accepted in the United States of America. 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.

#### Compliance

As part of obtaining reasonable assurance about whether Adams County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 03-1 and 03-2. We also noted certain instances of noncompliance that we have reported to the management of Adams County, Mississippi, in our Independent Auditors' Report on Compliance with State Laws and Regulations and the Independent Auditors' Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules dated July 20, 2004, included within this document.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Adams 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 assurance 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 Adams 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 03-3 through 03-13.

Members of the Board of Supervisors  
Adams County, Mississippi

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 misstatements 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 items 03-4, 03-5, 03-6, 03-7, 03-8, 03-10, 03-12, and 03-13 to be material weaknesses. However, we consider the reportable conditions described above 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.

Natchez, Mississippi  
July 20, 2004

*Switzer Hopkins & Merg*

# SWITZER, HOPKINS & MANGE

## Certified Public Accountants

DENNIS R. SWITZER, CPA  
H. MYLES HOPKINS, CPA  
SUSAN L. MANGE, CPA

JOHN M. JONES, CPA 1921 - 1983

### 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  
Adams County, Mississippi

#### Compliance

We have audited the compliance of Adams County, Mississippi, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2003. Adams County, Mississippi's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Adams County, Mississippi's management. Our responsibility is to express an opinion on Adams 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 Adams 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 Adams County, Mississippi's compliance with those requirements.

In our opinion, Adams County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2003.

#### Internal Control Over Compliance

The management of Adams 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 Adams County, Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 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.

Members of the Board of Supervisors  
Page 2

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.

Natchez, Mississippi  
July 20, 2004

*Seitzinger Hopkin & Manges*

# SWITZER, HOPKINS & MANGE

## Certified Public Accountants

DENNIS R. SWITZER, CPA  
H. MYLES HOPKINS, CPA  
SUSAN L. MANGE, CPA

JOHN M. JONES, CPA 1921 - 1983

### 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  
Adams County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Adams County, Mississippi, as of and for the year ended September 30, 2003. 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 Adams 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 Adams County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

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

#### Inventory Control Clerk.

##### Finding

Section 7-7-211, Miss. Code Ann. (1972) gives the Office of the State Auditor the authority to prescribe accounting systems for capital assets. We noted the following deficiencies in the policies and procedures of the internal control structure for capital assets:

- a. The inventory control clerk does not reconcile monthly additions and deletions to the property and equipment ledger to the general ledger.
- b. Changes are sometimes made to prior asset balances with little or no documentation for the changes.

##### Recommendation

A reconciliation should be prepared monthly for additions and deletions from the property and equipment ledger to the general ledger. Detailed documentation should be maintained for any additions or deletions from the property and equipment ledger.

Inventory Control Clerk's Response

- a. A system has been implemented to reconcile additions in the cash disbursements ledger to the additions on the inventory schedule on a monthly basis.
- b. The inventory clerk will document all changes made to existing assets reported on the inventory schedule.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Adams 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 Adams 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.

Natchez, Mississippi  
July 20, 2004

*Switzer Hopkins & Merges*

ADAMS COUNTY  
Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2003

Schedule 1

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

ADAMS COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2003

Schedule 2

Our test results did not any emergency purchases.

ADAMS COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source  
 For the Year Ended September 30, 2003

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
07/21/03	Metro Narcotics Undercover Equipment	\$ 16,243.00	Audio Intelligence Devices Inc.
07/21/03	Metro Narcotics Undercover Equipment	6,174.00	DTC Communications Inc.
12/31/02	Chancery and Circuit Clerks and Tax Collector Imaging and case management software	46,000.00	Delta Computer Systems Inc.

# SWITZER, HOPKINS & MANGE

## Certified Public Accountants

DENNIS R. SWITZER, CPA  
H. MYLES HOPKINS, CPA  
SUSAN L. MANGE, CPA

JOHN M. JONES, CPA 1921 - 1983

### INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Members of the Board of Supervisors  
Adams County, Mississippi

We have audited the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Adams County, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated July 20, 2004. The auditors' 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 and that the county did not maintain adequate internal controls to assure the existence, completeness and valuation of fines receivable as required by accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the Office of the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. 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.

The results of our procedures and our audit of the primary government financial statements disclosed certain immaterial instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are disclosed below:

#### Board of Supervisors

1. Finding

Section 19-11-17, Miss. Code Ann. (1972) prohibits the incurring of expenses in excess of the final budget as approved by the Board of Supervisors. For the current year, actual expenditures exceeded budgeted amounts in some funds. The complete, final amended budget was not entered on the board's minutes by October 31 following the close of the fiscal year.

#### Recommendation

The Board of Supervisors should not make expenditures in excess of budgeted amounts. The complete, final amended budget should be approved and entered on the board's minutes by October 31 following the close of the fiscal year.

#### Board of Supervisors' Response

The Board will not make expenditures in excess of budgeted amounts. The complete, final, amended budget will be approved and entered on the Board's minutes by October 31 following the close of the fiscal year.

Chancery Clerk.

2. Finding

Section 19-11-17, Miss. Code Ann. (1972) requires Clerks of board of supervisors to apportion payments for rail car taxes between municipalities and taxing districts in proportion to the number of miles of railroad in the municipality or other taxing districts to the number of miles of railroad in the entire county. Other taxing districts would include county school districts.

The county did not split the rail car taxes with the school district.

Recommendation

Rail car taxes should be apportioned to the school district as required by law.

Chancery Clerk's Response

The rail car taxes shall be apportioned to the school district.

Circuit Clerk.

3. Finding

Section 9-1-43, Miss. Code Ann. (1972), places a limit on the compensation of the Circuit Clerk and gives the Office of the State Auditor the authority to prescribe a system to account for all sources of income and disbursements of the Circuit Clerk. The Circuit Clerk is required to settle fees collected in excess of the cap limitation to the General Fund of the county. We noted the following discrepancies with the Circuit Clerk's journal:

- a. Missing or inadequate descriptions were on deposit tickets, which resulted in fees of approximately \$4,071.84 not included in income in the fee journal.
- b. Documentation was not provided for many of the expenses in the journal, which resulted in the expenses being disallowed. Some of the documentation provided was not allowable. The total of disallowed expenses on the Circuit Clerk's fee journal was \$34,120.43.
- c. All funds were not deposited into the fee account.
- d. Understated fees in item a and overstated expenses in item b resulted in compensation to the Circuit Clerk during calendar year 2003 of \$17,921.73 in excess of the cap limitation.

Recommendation

The Circuit Clerk should pay the amount of \$17,921.73, which represents his compensation in excess of the cap, to the General Fund of the county. As reported in the State Auditors' report dated May 16, 2003, the fee journal should be properly prepared, maintained and reconciled as required by State law.

Circuit Clerk's Response

I am in the process of reviewing the determinations regarding undocumented or disallowed expenses. Documentation will be provided to the State Auditor's office on these items as quickly as possible. Any amount which remains disallowed will be paid to the General Fund of the county immediately. Any errors in properly maintaining the fee journal were totally unintentional. I have installed a new accounting program and hired a financial consultant. These steps should alleviate past problems. The journal will be properly prepared, maintained and reconciled in the future as required by state law.

Circuit Clerk – Continued

4. Finding

Section 9-1-43, Miss. Code Ann. (1972), requires the Circuit Clerk to maintain clearing accounts for monies deposited with the court in a trust or custodial capacity and for fees and fines required by law or court order in civil or criminal cases; the Office of the State Auditor is given the authority to prescribe a system to account for all sources of income and disbursements of the Circuit Clerk; and the Circuit Clerk is required to:

- a. settle amounts collected in a custodial capacity to the proper parties; and
- b. settle amounts collected as fees to the Circuit Clerk subject to the compensation limits mentioned in 3 above.

Settlements to the Circuit Clerk during calendar year 2003 totaled \$207,960.50 more than the amounts shown as due him by his clearing account journals. These disbursements, in effect, represent unauthorized loans to the Circuit Clerk. Net of amounts reimbursed by the Clerk, the balance of these outstanding loans at September 30, 2003, the end of the County's fiscal year, was \$176,583.21. Due to these unauthorized loans, approximately \$225,713.80 was owed by the county to other parties at September 30, 2003, and only \$49,132.39 was available for payment to them.

Recommendation

Amounts in the Circuit Clerk clearing accounts should be settled to the proper parties promptly at the end of each month based upon an accurate accounting.

Circuit Clerk's Response

These settlements were made in error. As soon as I recognized the mistake, I notified the Office of the State Auditor and took steps to correct the situation. The amount of \$207,960.50 has been redeposited to the clearing accounts and has been disbursed to the proper parties. I have installed a new accounting program and hired a financial consultant. These steps should alleviate any further problems.

Auditors' Note

The matter has been referred to the Investigative Division of the Office of the State Auditor.

5. Finding

Section 9-1-45, Miss. Code Ann. (1972), requires the Circuit Clerk to file, not later than April 15 of each year, with the Office of the State Auditor an annual report of revenues subject to the salary cap, revenues not subject to the salary cap, and expenses of the office. The Circuit Clerk's annual report was not filed until July, 2004.

Recommendation

The Circuit Clerk should file his annual report timely as required by law.

Circuit Clerk's Response

Future annual reports will be timely filed.

6. Finding

Section 7-7-211, Miss. Code Ann. (1972) requires the Office of the State Auditor to prescribe for all public offices and local subdivisions of the state systems of accounting, budgeting and reporting financial facts of

Circuit Clerk – Continued

said offices. This document is known as the Mississippi Financial Accounting Manual. The Manual requires the Circuit Clerk to prepare an aging of accounts receivable at September 30 of each year and a corresponding allowance for doubtful accounts; and to submit this report to the Chancery Clerk by October 31 following the close of the fiscal year. This report is necessary in order for the county to include these receivables in the financial statements of the county.

The required report had not been submitted to the Chancery Clerk as of the date of our report.

Recommendation

The Circuit Clerk should prepare the required report and submit it to the Chancery Clerk as required by Mississippi Financial Accounting Manual.

Circuit Clerk's Response

This report will be prepared and submitted to the Chancery Clerk as soon as possible.

The Office of the State Auditor has taken exception to certain costs. The details of the exception and disposition are as follows:

Exception Issued on:	M. L. Vines, Circuit Clerk
Nature of Exception:	See Circuit Clerk finding #3 described in this report.
Amount of Exception:	\$17,921.73
Disposition of Exception:	This matter has been turned over to the investigative division of the Office of the State Auditor.

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.

Natchez, Mississippi  
July 20, 2004

*Switzer Hopkins & Morgan*

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section 1: Summary of Auditors' Results

***Financial Statements:***

- |    |  |           |
|----|--|-----------|
| 1. | Type of auditors' report issued on the primary government financial statements:          | Qualified |
| 2. | Material noncompliance relating to the primary government financial statements?          | Yes       |
| 3. | Internal control over financial reporting:   |           |
|    | a. Material weakness(es) identified?   | Yes       |
|    | b. Reportable condition(s) identified that are not considered to be material weaknesses? | Yes       |

***Federal Awards:***

- |     |   |             |
|-----|---|-------------|
| 4.  | Type of auditors' report issued on compliance for major federal programs:   | Unqualified |
| 5.  | Internal control over major programs:   |             |
|     | a. Material weakness(es) identified?  | No          |
|     | b. Reportable condition(s) identified that are not considered to be material weaknesses?  | No          |
| 6.  | Any audit finding(s) reported as required by Section ____510(a) of Circular A-133?  | No          |
| 7.  | Federal programs identified as major programs:  |             |
|     | a. Temporary assistance for needy families, CDFA No. 93-558   |             |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:  | \$300,000   |
| 9.  | Auditee qualified as a low-risk auditee?  | Yes         |
| 10. | Prior fiscal year audit finding(s) 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          |

Section 2: Financial Statement Findings

Board of Supervisors.

03-1. Finding

The county has interfund loans outstanding that are over one year old. These loans were made when the county experienced negative cash flows in various funds. However, the loans were not repaid. 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. As mentioned in the prior year audit, the Board of Supervisors should approve and record in the board minutes the reason for the loan, when the loan will be repaid and the source of the funds for repayment. The Board of Supervisors should ensure these old loans are repaid by approving and recording in the board minutes a repayment schedule and complying with the repayment schedule.

Board of Supervisors' Response

All interfund loans will be repaid within the subsequent fiscal year.

03-2. Finding

We found several instances where interfund loans and transfers were not approved in the Board of Supervisors' minutes.

Recommendation

The Board of Supervisors should ensure that all interfund loans and transfers are approved in the board minutes.

Board of Supervisors' Response

The Board of Supervisors will approve all interfund loans on its minutes.

03-3. Finding

The county recorded transfers of capital improvement funds in the receiving fund as credits to the asset accounts, rather than the transfers in accounts. In addition, we found one instance where the Port and Harbor Fund made a loan to the Port; but when the loan was repaid, the check was deposited in the General County resulting in an unauthorized transfer from the Port and Harbor Fund to the General County.

Recommendation

The general ledger accounts for due to/due from other funds and transfers in and transfers out should be balanced on a monthly basis.

Board of Supervisors' Response

These accounts will be balanced monthly.

03-4. Finding

A detailed reconciliation of the accounts receivable for garbage fees is prepared monthly showing the total beginning balance, monthly charges and collections, other debits and credits, and the total ending balance. However, the total ending balance is never compared to the aged trial balance of garbage fees receivable.

Board of Supervisors – Continued

In addition, many of the county's garbage customers prepay their accounts for varying periods of time. However, the current software used by the county cannot generate a report showing the total amount of prepaid user fees by customer at any given point in time.

Recommendation

The transactions in accounts receivable for garbage fees should be reconciled to the aged trial balance of accounts receivable for garbage fees, and the county should discuss the generation of a prepaid user fee report with their software developer.

Board of Supervisors' Response

The accounts receivables shall be reconciled to the aged trail balance of accounts. We will discuss purchase of software from our software developer.

03-5. Finding

We noted that opening balances in some general ledger accounts did not agree with the ending balances from the prior fiscal year.

Recommendation

Transfers of general ledger balances between years should be reviewed carefully by senior accounting personnel.

Board of Supervisors' Response

These transfers shall be carefully reviewed by our accounting personnel.

03-6. Finding

Monthly bank reconciliations are not footed and tied to the general ledger. The accounts payable bank account and the payroll bank account were both overstated.

Recommendation

Monthly bank reconciliations should be compared with the general ledger, and all differences should be documented. Adjustments should be made each month to account for these differences.

Board of Supervisors' Response

The monthly reconciliations shall be compared to the general ledger and adjustments shall be made monthly.

03-7. Finding

December, 2002 and January, 2003 payroll checks totaling \$11,847.34 and \$20,337.78, respectively, cleared the bank on the last day of the respective month; but these checks were not recorded on the general ledger until the first day of the subsequent month.

Recommendation

Payroll checks should not be released prior to the date they are due; and checks should be recorded in the general ledger when they are issued.

Board of Supervisors' Response

We are implementing a direct deposit of payroll, which will eliminate this problem.

Board of Supervisors – Continued

03-8. Finding

Adams County received two checks in May 2004 for a Highway Safety grant for the period ended September 30, 2003. No one in county government realized that the funds were due the county.

Recommendation

Grant revenues should be reconciled from the grant contracts to the general ledger on a periodic basis.

Board of Supervisors' Response

We will maintain an accounts receivable account so as to reconcile these grants.

Chancery Clerk.

03-9. Finding

The mineral stamp inventory is not reconciled on a monthly basis.

Recommendation

The mineral stamp inventory should be reconciled monthly.

Chancery Clerk's Response

The documentary stamps will be reconciled monthly.

Circuit Clerk.

03-10. Finding

We found two instances where the Circuit Clerk was paid court fees totaling \$16,711.00 based upon the submission of a reimbursement request to the county and without a court order as documentation for the request.

Recommendation

A court order should be a prerequisite to the payment of court fees to Chancery and Circuit Clerks.

Circuit Clerk's Response

Once this error was discovered the amount of \$16,711 was reimbursed to the county. All future reimbursement requests will have a court order as documentation.

Auditors' Note

The Circuit Clerk reimbursed the General County for the \$16,711.00 during the fiscal year ended September 30, 2004.

03-11. Finding

The Circuit Clerk does not record receipt numbers on deposit slips as required by the Mississippi Financial Accounting Manual.

Recommendation

The Circuit Clerk should record receipt numbers on deposit slips as required by the Mississippi Financial Accounting Manual.

Circuit Clerk – Continued

Circuit Clerk's Response

Receipt numbers will be recorded on deposit slips.

03-12. Finding

The Circuit Clerk does not reconcile transactions in his cash journal to the aged trial balance for accounts receivable for fines, court costs and assessments on a monthly basis.

Recommendation

The Circuit Clerk should prepare a detailed reconciliation of the accounts receivable for fines, court costs and assessments to the aged trial balance on a monthly basis.

Circuit Clerk's Response

This reconciliation will be prepared on a monthly basis.

03-13. Finding

Cash receipts as shown on deposit slips and recorded in the Circuit Clerk's cash journals were not deposited to his bank clearing accounts on a daily, or other timely, basis. In one instance, the length of time between the receipt and the deposit of \$16,140 of currency was 13 months, and in another instance, \$6,844.39 of currency was held for 10 months before it was deposited. We noted various other instances involving currency, checks and money where the length of time between the receipt and the deposit ranged from 1 month to 8 months.

Recommendation

Deposits should be made to the bank accounts on a daily basis. Any deposits listed as outstanding on monthly bank reconciliations should be investigated.

Circuit Clerk's Response

This has been corrected. Deposits are now being made on a daily basis. I have hired a financial consultant who will review bank reconciliations each month and investigate any outstanding deposits.

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.