



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

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State Auditor

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BOLIVAR COUNTY, MISSISSIPPI

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

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BOLIVAR COUNTY

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BOLIVAR COUNTY

FINANCIAL SECTION

BOLIVAR COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Bolivar County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Bolivar 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.

Except as discussed in the following two paragraphs, 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.

Management did not maintain adequate subsidiary records documenting the fines receivable of the Circuit Court. Due to the nature of the county's records, we were unable to satisfy ourselves as to the fair presentation of fines receivable, net, reported on the Statement of Net Assets and in the General Fund at \$483,850, as of September 30, 2003. Also, because of the nature of the fines receivable records, we could not satisfy ourselves as to the fair presentation of the related transactions of the General Fund.

Management did not maintain adequate records documenting the activity of the Circuit Court criminal and civil accounts. We were not able to examine records documenting the Circuit Court cash at September 30, 2003, and the related revenues and liabilities.

The financial statements referred to above include only the primary government of Bolivar 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 Bolivar County, Mississippi, as of September 30, 2003, and the respective changes in its financial position and cash flows, where applicable, 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 of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence to determine the net realizable value of the Circuit Court fines receivable for the General Fund as described in the third paragraph and except for the adjustments if any, as might have been determined to be necessary had we been able to examine evidence to determine the amount of the Circuit Clerk's cash and related revenues and liabilities as described in the fourth paragraph, the primary government financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund of Bolivar 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 governmental activities, the business-type activities, the Countywide Road Maintenance Fund and the aggregate remaining fund information for the primary government of Bolivar County, Mississippi, as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, Bolivar 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 - and 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 15, 2005, on our consideration of Bolivar 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.

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

The Budgetary Comparison Schedules and corresponding notes on pages 36 through 39 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 Bolivar 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. The accompanying Reconciliation of Operating Costs of Solid Waste is also presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



PHIL BRYANT
State Auditor



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

July 15, 2005

BOLIVAR COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

BOLIVAR COUNTY
Statement of Net Assets
September 30, 2003

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and investments	\$ 8,685,554	1,323,813	10,009,367
Cash with fiscal agent	77,660		77,660
Accrued interest receivable	4,236		4,236
Property tax receivable	9,479,083		9,479,083
Fines receivable (net of allowance for uncollectibles of \$311,045)	483,850		483,850
Loans receivable	980,604		980,604
Intergovernmental receivables	158,413	119,106	277,519
Other receivables	4,498		4,498
Internal balances	40,677	(40,677)	
Capital assets, net	45,883,576	6,799,463	52,683,039
Total Assets	65,798,151	8,201,705	73,999,856
LIABILITIES			
Claims payable	489,611	60,077	549,688
Intergovernmental payables	287,229		287,229
Matured bonds and interest payable	77,660		77,660
Accrued interest payable	16,453	98,228	114,681
Deferred revenue	9,479,083		9,479,083
Other payables	4,780		4,780
Long-term liabilities			
Due within one year:			
Capital related debt	426,885		426,885
Non-capital debt	205,000		205,000
Due in more than one year:			
Capital related debt	861,975	8,615,000	9,476,975
Non-capital debt	2,694,216	15,799	2,710,015
Total Liabilities	14,542,892	8,789,104	23,331,996
NET ASSETS			
Invested in capital assets, net of related debt	44,594,716	(1,815,537)	42,779,179
Restricted:			
Expendable:			
General government	153,542		153,542
Debt service	662,318		662,318
Public safety	2,786,496		2,786,496
Public works	1,925,400		1,925,400
Health and welfare	1,387,717		1,387,717
Culture and recreation	51,935		51,935
Economic development	32,213		32,213
Other purposes	980,604		980,604
Unrestricted	(1,319,682)	1,228,138	(91,544)
Total Net Assets	\$ 51,255,259	(587,399)	50,667,860

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

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

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 4,551,747	691,266	19,090		(3,841,391)		(3,841,391)
Public safety	2,413,648	325,287	124,110	102,509	(1,861,742)		(1,861,742)
Public works	4,214,059	71,148	810,279	56,324	(3,276,308)		(3,276,308)
Health and welfare	656,163		83,519		(572,644)		(572,644)
Culture and recreation	383,495				(383,495)		(383,495)
Conservation of natural resources	128,457				(128,457)		(128,457)
Economic development and assistance	549,766		859,517	332,136	641,887		641,887
Interest on long-term debt	229,049				(229,049)		(229,049)
Total Governmental Activities	<u>13,126,384</u>	<u>1,087,701</u>	<u>1,896,515</u>	<u>490,969</u>	<u>(9,651,199)</u>	<u>0</u>	<u>(9,651,199)</u>
Business-type activities:							
Correctional facility	4,341,046	2,776,975	6,350	286,709		(1,271,012)	(1,271,012)
Total Business-type Activities	<u>4,341,046</u>	<u>2,776,975</u>	<u>6,350</u>	<u>286,709</u>	<u>0</u>	<u>(1,271,012)</u>	<u>(1,271,012)</u>
Total Primary Government	<u>\$ 17,467,430</u>	<u>3,864,676</u>	<u>1,902,865</u>	<u>777,678</u>	<u>(9,651,199)</u>	<u>(1,271,012)</u>	<u>(10,922,211)</u>
General revenues:							
Property taxes					\$ 10,017,431		10,017,431
Road & bridge privilege taxes					331,939		331,939
Grants and contributions not restricted to specific programs					567,107		567,107
Unrestricted interest income					144,323	38,342	182,665
Miscellaneous					<u>531,594</u>	<u>1,448</u>	<u>533,042</u>
Total General Revenues					<u>11,592,394</u>	<u>39,790</u>	<u>11,632,184</u>
Changes in Net Assets					<u>1,941,195</u>	<u>(1,231,222)</u>	<u>709,973</u>
Net Assets - Beginning, as restated					<u>49,314,064</u>	<u>643,823</u>	<u>49,957,887</u>
Net Assets - Ending					<u>\$ 51,255,259</u>	<u>(587,399)</u>	<u>50,667,860</u>

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

BOLIVAR COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2003

Exhibit 3

	Major Funds			
	General Fund	Countywide Road Maintenance Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 3,448,558	1,880,735	3,356,261	8,685,554
Cash with fiscal agent			77,660	77,660
Accrued interest receivable	1,977	1,197	1,062	4,236
Property tax receivable	6,097,980	1,461,691	1,919,412	9,479,083
Fines receivable (net of allowance for uncollectibles \$311,045)	483,850			483,850
Loans receivable			980,604	980,604
Intergovernmental receivables	148,413		10,000	158,413
Other receivables	4,498			4,498
Due from other funds	40,677	49,561	34,413	124,651
Total Assets	\$ 10,225,953	3,393,184	6,379,412	19,998,549
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 124,739	342,779	22,093	489,611
Intergovernmental payables	275,317			275,317
Due to other funds	95,886			95,886
Matured bonds and interest payable			77,660	77,660
Deferred revenue	6,581,830	1,461,691	1,919,412	9,962,933
Other payables	4,780			4,780
Total Liabilities	7,082,552	1,804,470	2,019,165	10,906,187
Fund balances:				
Reserved for:				
Debt service			678,771	678,771
Loans receivable			980,604	980,604
Unreserved, reported in:				
General Fund	3,143,401			3,143,401
Special Revenue Funds		1,588,714	2,561,186	4,149,900
Capital Project Funds			139,686	139,686
Total Fund Balances	3,143,401	1,588,714	4,360,247	9,092,362
Total Liabilities and Fund Balances	\$ 10,225,953	3,393,184	6,379,412	19,998,549

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

BOLIVAR COUNTY

Exhibit 3-1

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

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 9,092,362
Amounts reported for governmental services in the Statement of Net Assets (Exhibit 1) are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$59,897,767.	45,883,576
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	483,850
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(4,188,076)
Accrued interest payable is not due and payable in the current-period and, therefore, are not reported in the funds.	<u>(16,453)</u>
Total Net Assets - Governmental Activities	<u>\$ 51,255,259</u>

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

BOLIVAR COUNTY

Exhibit 4

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

	Major Funds			Total Governmental Funds
	General Fund	Countywide Road Maintenance Fund	Other Governmental Funds	
REVENUES				
Property taxes	\$ 6,288,093	1,552,470	2,176,868	10,017,431
Road and bridge privilege taxes		331,939		331,939
Licenses, commissions and other revenue	403,887	2,715	11,808	418,410
Fines and forfeitures	309,148			309,148
Intergovernmental revenues	737,363	709,845	1,507,383	2,954,591
Charges for services	19,298		330,977	350,275
Interest income	68,327	34,183	41,813	144,323
Miscellaneous revenues	421,209	23,487	59,228	503,924
Total Revenues	<u>8,247,325</u>	<u>2,654,639</u>	<u>4,128,077</u>	<u>15,030,041</u>
EXPENDITURES				
Current:				
General government	4,038,688		12,236	4,050,924
Public safety	2,092,479		613,414	2,705,893
Public works		2,651,638	1,511,678	4,163,316
Health and welfare	656,163			656,163
Culture and recreation	381,225		3,833	385,058
Conservation of natural resources	128,487			128,487
Economic development and assistance	113,784		505,042	618,826
Debt service:				
Principal	9,298	317,508	539,593	866,399
Interest	148	30,159	182,289	212,596
Total Expenditures	<u>7,420,272</u>	<u>2,999,305</u>	<u>3,368,085</u>	<u>13,787,662</u>
Excess of Revenues over (under) Expenditures	<u>827,053</u>	<u>(344,666)</u>	<u>759,992</u>	<u>1,242,379</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		47,193		47,193
Transfers in			36,475	36,475
Transfers out	(36,000)		(475)	(36,475)
Total Other Financing Sources and Uses	<u>(36,000)</u>	<u>47,193</u>	<u>36,000</u>	<u>47,193</u>
Net Changes in Fund Balances	<u>791,053</u>	<u>(297,473)</u>	<u>795,992</u>	<u>1,289,572</u>
Fund Balances - Beginning, as restated	<u>2,352,348</u>	<u>1,886,187</u>	<u>3,564,255</u>	<u>7,802,790</u>
Fund Balances - Ending	<u>\$ 3,143,401</u>	<u>1,588,714</u>	<u>4,360,247</u>	<u>9,092,362</u>

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

BOLIVAR 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

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 1,289,572
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that depreciation of \$1,436,036 exceeded capital outlays of \$1,320,800 in the current period.	(115,236)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the loss of \$40,931, the amount of the gain of \$27,670 and the proceeds from the sale of \$47,193 in the current period.	(60,454)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	9,868
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 of debt repayments.	866,399
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long- term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
The amount of increase in accrued interest payable.	(16,453)
The amount of increase in compensated absences.	<u>(32,501)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>1,941,195</u></u>

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

BOLIVAR COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2003

Exhibit 5

	Business-type Activities - <u>Enterprise Fund</u> BCRCF <u>Fund</u>
ASSETS	
Current assets:	
Cash and investments	\$ 1,323,813
Intergovernmental receivables	<u>119,106</u>
Total Current Assets	<u>1,442,919</u>
Noncurrent assets:	
Capital assets, net	<u>6,799,463</u>
Total Noncurrent Assets	<u>6,799,463</u>
Total Assets	<u>8,242,382</u>
LIABILITIES	
Current liabilities:	
Claims payable	60,077
Due to other funds	40,677
Accrued interest payable	<u>98,228</u>
Total Current Liabilities	<u>198,982</u>
Noncurrent liabilities:	
Capital-related debt:	
Limited obligation bonds payable	8,615,000
Non-capital debt:	
Compensated absences payable	<u>15,799</u>
Total Noncurrent Liabilities	<u>8,630,799</u>
NET ASSETS	
Invested in capital assets, net of related debt	(1,815,537)
Unrestricted	<u>1,228,138</u>
Total Net Assets	<u>\$ (587,399)</u>

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

BOLIVAR COUNTY

Exhibit 6

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund
For the Year Ended September 30, 2003

	Business-type Activities - Enterprise Fund
	<u>BCRCF Fund</u>
Operating Revenues	
Charges for services	\$ 2,776,975
Miscellaneous	<u>6,350</u>
Total Operating Revenues	<u>2,783,325</u>
Operating Expenses	
Personal services	2,732,599
Contractual services	389,577
Materials and supplies	430,291
Indirect administrative cost	40,677
Depreciation expense	<u>220,686</u>
Total Operating Expenses	<u>3,813,830</u>
Operating Income (Loss)	<u>(1,030,505)</u>
Nonoperating Revenues (Expenses)	
Interest income	38,342
Nonoperating grants	286,709
Gain (loss) on sale of capital assets	1,448
Interest expense	<u>(527,216)</u>
Net Nonoperating Revenue (Expenses)	<u>(200,717)</u>
Changes in Net Assets	<u>(1,231,222)</u>
Net Assets - Beginning, as restated	<u>643,823</u>
Net Assets - Ending	<u>\$ (587,399)</u>

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

BOLIVAR COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2003

Exhibit 7

	Business-type Activities - <u>Enterprise Fund</u>
	<u>BCRCF Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 2,682,204
Payments to suppliers	(1,388,518)
Payments to employees	(2,732,599)
Other operating cash receipts	<u>6,350</u>
Net Cash Provided (Used) by Operating Activities	<u>(1,432,563)</u>
Cash Flows From Capital and Related Financing Activities	
Capital grants received - federal	286,709
Proceeds from sale of capital assets	6,446
Acquisition and construction of capital assets	(237,739)
Compensation for loss of capital assets	839,689
Interest paid on debt	<u>(428,988)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>466,117</u>
Cash Flows From Investing Activities	
Interest on investments	<u>38,342</u>
Net Cash Provided (Used) by Investing Activities	<u>38,342</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(928,104)
Cash and Cash Equivalents at Beginning of Year	0
Adjustments to Beginning of Year Cash Due to Fund Reclassification	<u>2,251,917</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,323,813</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ <u>(1,030,505)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	220,686
Changes in assets and liabilities:	
(Increase) decrease in intergovernmental receivable	(94,771)
Increase (decrease) in claims payable	(568,650)
Increase (decrease) in interfund payables	<u>40,677</u>
Total Adjustments	<u>(402,058)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,432,563)</u>

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

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

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 226,403
Accrued interest receivable	32
Due from other funds	<u>11,912</u>
Total Assets	<u><u>\$ 238,347</u></u>
LIABILITIES	
Amounts held in custody for others	\$ 149,749
Intergovernmental payables	<u>88,598</u>
Total Liabilities	<u><u>\$ 238,347</u></u>

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

BOLIVAR COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Bolivar 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 Bolivar 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.

- Bolivar County Port Commission
- Bolivar County Economic Development District
- Bolivar County Library
- Bolivar Medical Center Foundation

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

BOLIVAR COUNTY

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

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. 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.

C. Measurement Focus and Basis of Accounting.

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

The county's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

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

BOLIVAR COUNTY

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

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.

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

The county reports the following major Proprietary Fund:

Bolivar County Regional Correctional Facility (BCRCF) - This fund accounts for the county's activities of operating the correctional facility.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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 TYPE

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the county has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

FIDUCIARY FUND TYPE

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

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 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.

BOLIVAR COUNTY

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

E. Deposits and Investments.

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

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value.

F. Receivables.

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

G. Interfund Transactions and Balances.

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

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the 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.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to retroactively report major general infrastructure assets by September 30, 2007. Current year general infrastructure assets are required to be reported. General infrastructure assets acquired after September 30, 1980, are reported on the government-wide financial statements. Current year general infrastructure assets are reported on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the county's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

BOLIVAR COUNTY

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

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. Capital assets in the government-wide financial statements are depreciated over the following estimated useful lives of the respective assets.

	<u>Estimated Useful Life</u>
Land	N/A
Infrastructure	20-50 years
Buildings	40 years
Improvements other than buildings	20 years
Mobile equipment	5-10 years
Furniture and equipment	3-7 years
Leased property under capital leases	*

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

I. Long-term Liabilities.

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

In the government-wide financial statements and in the Proprietary Funds 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 Funds Statement of Net Assets.

J. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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

BOLIVAR COUNTY

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

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

K. Property Tax Revenues.

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

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

L. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion 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.

M. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds 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 \$57,216 for accumulated unpaid personal leave up to a maximum of 20 days per employee payable from Governmental Funds is reported as a liability in the Statement of Net Assets. In Proprietary Funds, the compensated absences are reported as a liability of the fund in the amount of \$15,799, which represents an amount up to a maximum of 20 days per employee.

BOLIVAR COUNTY

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

(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 - and 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 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.

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 Previously Reported	Fund and Account Group Reclassifications	Prior Period Adjustments	Sept. 30, 2002 As Restated
Governmental Funds and Governmental Activities				
Major Funds:				
General	\$ 2,352,348			2,352,348
Countywide Road Maintenance		1,886,187		1,886,187
Other Governmental Funds:				
Special Revenue	4,830,744	(2,093,422)	(65,214)	2,672,108
Debt Service	1,955,374	(1,206,537)		748,837
Capital Projects	377,063	(233,753)		143,310
Total Governmental Funds	9,515,529	(1,647,525)	(65,214)	7,802,790
Governmental Activities:				
Capital assets, net		32,880,393	13,178,873	46,059,266
Long-term liabilities		(5,021,974)		(5,021,974)
Fines receivable			473,982	473,982
Total Governmental Funds and Governmental Activities	\$ 9,515,529	26,210,894	13,587,641	49,314,064

BOLIVAR COUNTY

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

	Sept. 30, 2002 As Previously Reported	Fund and Account Group Reclassifications	Prior Period Adjustments	Sept. 30, 2002 As Restated
Proprietary Funds and Business-type Activities				
BCRCF	\$	554,798	89,025	643,823
Total Proprietary Funds and Business-type Activities	\$ 0	554,798	89,025	643,823
Account Groups				
General Fixed Assets	\$ 40,418,465	(40,418,465)		0
General Long-term Debt	(13,652,773)	13,652,773		0
Total Account Groups	\$ 26,765,692	(26,765,692)	0	0

(3) Prior Period Adjustment.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
Expenditure accrual	\$ (65,214)
Revenue accrual	839,689
Total prior period adjustment	\$ <u>774,475</u>

Exhibit 4 - Statement of Revenues, Expenditure and Changes in Fund Balances.

<u>Explanation</u>	<u>Amount</u>
Expenditure accrual	\$ (65,214)
Total prior period adjustment	\$ <u>(65,214)</u>

Exhibit 6 - Statement of Revenues, Expenses and Changes in Fund Net Assets.

<u>Explanation</u>	<u>Amount</u>
Revenue accrual	\$ 839,689
Total prior period adjustment	\$ <u>839,689</u>

BOLIVAR COUNTY

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

(4) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2003, was \$9,534,655, and the bank balance was \$10,234,873. 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.

Investments:

At year end, the carrying amount of the county's investments was \$701,115, and the cost was \$701,115. The county's investments at year end consisted entirely of U.S. Treasury Notes. The investments are uninsured and unregistered and are held by the counterparty, its trust department or its agent, but not in the county's name.

(5) Interfund Transactions and Balances.

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

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	BCRCF	\$ 40,677
Countywide Road Maintenance	General	49,561
Other Governmental Funds	General	34,413
Agency Funds	General	11,912
		<u>11,912</u>
Total		\$ <u><u>136,563</u></u>

The General Fund receivable is for indirect administrative cost due from BCRCF. All other receivables represent the tax revenue collected but not settled until October, 2003. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	Other Governmental Funds	\$ 475
Other Governmental Funds	General Fund	36,000
		<u>36,000</u>
Total		\$ <u><u>36,475</u></u>

The transfer of \$36,000 from the General Fund was to help pay the debt service payments in the Public Health I&S Fund. The transfer of \$475 was to close an inactive fund. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

BOLIVAR COUNTY

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

(6) Intergovernmental Receivables.

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

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 148,253
Land patent	160
Community development block grant	<u>10,000</u>
Total Governmental Activities	<u>\$ 158,413</u>
Business-type Activities:	
Reimbursements for housing inmates	<u>\$ 119,106</u>
Total Business-type Activities	<u>\$ 119,106</u>

(7) Loans Receivable.

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

Description	Date of Loan	Interest Rate	Maturity Date	Balance Payable
MDEZA River Run	08-02	2.00	09-37	\$ 139,076
CDBG Knightline	10-02	4.00	02-19	600,000
MDEZA Knightline	07-02	4.00	02-19	<u>241,528</u>
Total				<u>\$ 980,604</u>

(8) Capital Assets.

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

Governmental activities:

	Balance Oct. 1, 2002	Additions	Deletions	Adjustments *	Balance Sept. 30, 2003
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,021,104				1,021,104
Construction in progress	720,956			(720,956)	
Total non-depreciable capital assets	<u>1,742,060</u>	<u>0</u>	<u>0</u>	<u>(720,956)</u>	<u>1,021,104</u>

BOLIVAR COUNTY

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

	Balance Oct. 1, 2002	Additions	Deletions	Adjustments *	Balance Sept. 30, 2003
<u>Depreciable capital assets:</u>					
Infrastructure				72,479,080	72,479,080
Buildings	28,022,251	88,953	1,970	(5,975,397)	22,133,837
Improvements other than buildings	505,024			(249,892)	255,132
Mobile equipment	7,377,341	427,258	413,108	(51,000)	7,340,491
Furniture and equipment	2,703,532	804,589	63,691	(892,731)	2,551,699
Leased property under capital leases	68,257			(68,257)	
Total depreciable capital assets	<u>38,676,405</u>	<u>1,320,800</u>	<u>478,769</u>	<u>65,241,803</u>	<u>104,760,239</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure		150,055		46,076,511	46,226,566
Buildings		356,705	394	7,164,553	7,520,864
Improvements other than buildings				205,712	205,712
Mobile equipment		596,677	367,836	3,862,648	4,091,489
Furniture and equipment		321,660	50,085	1,581,561	1,853,136
Leased property under capital leases		10,939		(10,939)	
Total accumulated depreciation	<u>0</u>	<u>1,436,036</u>	<u>418,315</u>	<u>58,880,046</u>	<u>59,897,767</u>
Total depreciable capital assets, net	<u>38,676,405</u>	<u>(115,236)</u>	<u>60,454</u>	<u>6,361,757</u>	<u>44,862,472</u>
Governmental activities capital assets, net	<u>\$ 40,418,465</u>	<u>(115,236)</u>	<u>60,454</u>	<u>5,640,801</u>	<u>45,883,576</u>
Business-type activities:					
	Balance Oct. 1, 2002	Additions	Deletions	Adjustments *	Balance Sept. 30, 2003
<u>Non-depreciable capital assets:</u>					
Land	\$			3,878	3,878
Total non-depreciable capital assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,878</u>	<u>3,878</u>
<u>Depreciable capital assets:</u>					
Buildings		83,553		6,467,259	6,550,812
Improvements other than buildings		126,703		785,900	912,603
Mobile equipment		299		91,919	92,218
Furniture and equipment		27,184	10,908	189,116	205,392
Total depreciable capital assets	<u>0</u>	<u>237,739</u>	<u>10,908</u>	<u>7,534,194</u>	<u>7,761,025</u>

BOLIVAR COUNTY

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

	Balance <u>Oct. 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u> *	Balance <u>Sept. 30, 2003</u>
<u>Less accumulated depreciation for:</u>					
Buildings		151,707		537,585	689,292
Improvements other than buildings		36,718		97,117	133,835
Mobile equipment		10,709		23,683	34,392
Furniture and equipment		21,552	5,910	92,279	107,921
Total accumulated depreciation	<u>0</u>	<u>220,686</u>	<u>5,910</u>	<u>750,664</u>	<u>965,440</u>
 Total depreciable capital assets, net	 <u>0</u>	 <u>17,053</u>	 <u>4,998</u>	 <u>6,783,530</u>	 <u>6,795,585</u>
 Business-type activities capital assets, net	 <u>\$ 0</u>	 <u>17,053</u>	 <u>4,998</u>	 <u>6,787,408</u>	 <u>6,799,463</u>

* Adjustments are the effect of implementing GASB 34, moving the assets of the BCRCF from governmental activities to business-type activities and recording undocumented adjustments to capital asset balances.

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 548,298
Public safety	219,519
Public works	<u>668,219</u>
Total governmental activities depreciation expense	<u>\$ 1,436,036</u>
Business-type activities:	
Correctional facility	<u>\$ 220,686</u>
Total business-type activities depreciation expense	<u>\$ 220,686</u>

(9) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$500,000 for law enforcement 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.

BOLIVAR COUNTY

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

(10) Operating Leases.

As Lessor:

On March 30, 2000, Bolivar County entered into a lease agreement with PHC-Cleveland Inc., a wholly owned subsidiary of Province Healthcare Corporation to lease the Bolivar County Medical Center for 40 years. Bolivar County received prepaid lease payments of \$26,400,000 or \$660,000 per year. The lease term began April 15, 2000, and concludes April 14, 2040.

The Board of Supervisors, through an act of the legislature, created the Bolivar Medical Center Foundation (Foundation), a non profit corporation, to manage the proceeds of the hospital lease and placed \$23,400,000 in the Foundation. As explained in Note (1)A., the Bolivar Medical Center Foundation is a component unit of Bolivar County.

As Lessee:

The county has entered into certain operating leases which do not give rise to property rights. Total costs for such leases were \$34,762 for the year ended September 30, 2003. The future minimum lease payments for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2004	\$ 28,340
2005	12,403
2006	7,689
2007	5,577
2008	<u>220</u>
Total Minimum Payments Required	<u>\$ 54,229</u>

(11) Long-term Debt.

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

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
Bolivar County Port	\$ 200,000	5.00	06/07
Bolivar County Port	142,000	6.40/6.75	03/07
Jail bonds	<u>2,500,000</u>	4.30/6.125	09/18
Total General Obligation Bonds	<u>\$ 2,842,000</u>		
B. Limited Obligation Bonds:			
MS Development Bank special obligation bonds	\$ 635,017	5.39	03/07
MS Development Bank special obligation bonds	<u>94,447</u>	5.39	09/05
Total Limited Obligation Bonds	<u>\$ 729,464</u>		

BOLIVAR COUNTY

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
C. Other Loans:			
Health department building	\$ 390,148	4.25	08/11
Fire trucks	8,690	3.00	12/03
Expo annex	<u>160,558</u>	3.00	02/09
Total Other Loans	<u>\$ 559,396</u>		

Business-type Activities:

Limited Obligation Bonds:

MS Development Bank special obligation bonds - Series 2002A	\$ 2,210,000	3.00/5.125	07/25
MS Development Bank special obligation bonds - Series 2002B	<u>6,405,000</u>	3.00/5.125	07/25
Total Limited Obligation Bonds	<u>\$ 8,615,000</u>		

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2004	\$ 205,000	135,511	345,151	30,710
2005	205,000	123,325	345,152	27,821
2006	215,000	111,113	27,643	1,401
2007	222,000	100,171	11,518	102
2008	140,000	90,616		
2009 - 2013	820,000	359,622		
2014 - 2018	<u>1,035,000</u>	<u>148,186</u>		
Total	<u>\$ 2,842,000</u>	<u>1,068,544</u>	<u>729,464</u>	<u>60,034</u>

BOLIVAR COUNTY

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

<u>Year Ending September 30</u>	<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 81,734	19,242
2005	75,114	17,505
2006	77,974	14,645
2007	80,948	11,671
2008	84,041	8,578
2009 - 2013	159,585	10,215
Total	\$ <u>559,396</u>	<u>81,856</u>

Business-type Activities:

<u>Year Ending September 30</u>	<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 0	392,912
2005	255,000	392,912
2006	265,000	385,262
2007	270,000	377,312
2008	290,000	367,038
2009 - 2013	1,640,000	1,651,352
2014 - 2018	2,110,000	1,259,410
2019 - 2023	2,565,000	715,830
2024 - 2028	1,220,000	94,558
Total	\$ <u>8,615,000</u>	<u>5,636,586</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 1.24% of the latest property assessments.

Prior Year Defeasance of Debt - In prior years, the county defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the county's financial statements. On September 30, 2003, \$6,990,000 of bonds outstanding were considered defeased.

BOLIVAR COUNTY

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

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
Governmental Activities:						
Compensated absences	\$ 40,514	32,501		(15,799)	57,216	
General obligation bonds	3,232,000		390,000		2,842,000	205,000
Limited obligation bonds	9,689,615		345,151	(8,615,000)	729,464	345,151
Capital leases	9,298		9,298			
Other loans	681,346		121,950		559,396	81,734
Total	\$ 13,652,773	32,501	866,399	(8,630,799)	4,188,076	631,885
Business-type Activities:						
Compensated absences	\$			15,799	15,799	
Limited obligation bonds				8,615,000	8,615,000	
Total	\$ 0	0	0	8,630,799	8,630,799	0

* Adjustments are to move the long-term liabilities of the Bolivar County Regional Correctional Facility from governmental activities to business-type activities.

(12) Deficit Fund Balances of Individual Funds.

The following fund reported a deficit in net assets at September 30, 2003:

Fund	Deficit Amount
Bolivar County Regional Correctional Facility	\$ <u>(587,399)</u>

(13) 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.

BOLIVAR COUNTY

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

General Obligation Debt Contingencies - The county issues general obligation notes to provide funds for constructing and improving capital facilities of the Bolivar County Port. Such debt is being retired from pledged resources of these entities and, therefore, is reported as a liability of those entities. 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
Port revitalization loans	\$ <u>230,859</u>

(14) Related Organizations.

The Bolivar County Board of Supervisors is responsible for appointing a voting majority of the members of the boards of the following organizations, but the county's accountability for these organizations does not extend beyond making the appointments and in making small annual appropriations, if any, to these organizations:

- Bogue Hasty Drainage District
- Northern Drainage District
- Sub-Drainage District Number 12
- Number 11 Drainage District

(15) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Delta Community Mental Health Services operates in a district composed of the Counties of Bolivar, Issaquena, Sharkey and Washington. The board of commissioners is comprised of one appointee from each county Board of Supervisors. The county appropriated \$232,800 for maintenance and support of the commission in fiscal year 2003.

The South Delta Planning and Development District operates in a district composed of the Counties of Bolivar, Humphreys, Issaquena, Sharkey, Sunflower and Washington. The governing body is a 22-member board of directors, with four appointed by the Board of Supervisors of Bolivar County. The county appropriated \$12,963 for maintenance and support of the district in fiscal year 2003.

Mississippi Delta Community College operates in a district composed of the Counties of Bolivar, Humphreys, Issaquena, Leflore, Sharkey, Sunflower and Washington. The Bolivar County Board of Supervisors appoints two of the 20 members of the college board of trustees. The county levied \$236,268 in taxes for maintenance and support of the college in fiscal year 2003.

Coahoma Community College operates in a district composed of the Counties of Bolivar, Coahoma, Quitman, Tallahatchie and Tunica. The Bolivar County Board of Supervisors appoints two of the 12 members of the college board of trustees. The county levied \$236,214 in taxes for maintenance and support of the college in fiscal year 2003.

Yazoo-Mississippi Water Management District operates in a district composed of the Counties of Bolivar, Carroll, Coahoma, DeSoto, Holmes, Humphreys, Issaquena, Leflore, Panola, Quitman, Sharkey, Sunflower, Tallahatchie, Tate, Tunica, Washington and Yazoo. The Bolivar County Board of Supervisors appoints two of the 21 members of the board of commissioners. The county levied \$119,044 in taxes to support the district in fiscal year 2003.

BOLIVAR COUNTY

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

Bolivar County Community Action Program, Inc. was created as a non-profit organization by non-government individuals in 1964 pursuant to federal community action legislation. The Bolivar County Board of Supervisors appoints seven of the 21 board members. Most of the entity's revenues are derived from federal grants. The county appropriated \$24,458 for maintenance and support of the organization in fiscal year 2003.

(16) Defined Benefit Pension Plan.

Plan Description. Bolivar 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 \$484,482, \$496,506 and \$480,740, respectively, equal to the required contributions for each year.

(17) 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 Bolivar County during the 2002-2003 fiscal year was \$27,232.

(18) Subsequent Events.

Subsequent to September 30, 2003, Bolivar County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10-30-03	5.39	\$ 120,000	Limited obligation bonds	General funds
10-30-03	5.39	261,501	Limited obligation bonds	Road funds
08-24-04	5.39	114,000	Limited obligation bonds	General funds
06-29-05	5.39	1,628,742	Limited obligation bonds	Road funds
06-29-05	5.39	150,000	Limited obligation bonds	General funds

On March 8, 2004, Bolivar County was notified of action by the Medicaid Fraud Division of the Attorney General against Bolivar County to recoup overpayments made by the Division of Medicaid to the Bolivar Medical Center (f/k/a Bolivar County Emergency Medical Services) between the period of July, 1998 through May, 2001. A proposed settlement has been made by the Medicaid Fraud Division of the Office of the Attorney General to Bolivar County to pay restitution only in the amount of \$106,136 plus \$5,000 in investigative cost. The total amount of the settlement proposal is \$111,136. The Board of Supervisors of Bolivar County has agreed to accept the offer of settlement; however, the settlement agreement and release between the parties has not been finalized.

BOLIVAR COUNTY

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BOLIVAR COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

BOLIVAR 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)
REVENUES				
Property taxes	\$ 6,244,257	6,276,915	6,276,915	
Road and bridge privilege taxes				
Licenses, commissions and other revenue	291,000	519,518	519,518	
Fines and forfeitures	251,500	296,403	296,403	
Intergovernmental revenues	550,000	608,798	608,798	
Charges for services		58,223	58,223	
Interest income	100,000	66,350	66,350	
Miscellaneous revenues	120,300	442,692	441,209	(1,483)
Total Revenues	<u>7,557,057</u>	<u>8,268,899</u>	<u>8,267,416</u>	<u>(1,483)</u>
EXPENDITURES				
Current:				
General government	3,728,846	4,261,278	4,261,046	232
Public safety	1,762,558	2,005,289	2,005,229	60
Health and welfare	705,834	695,415	695,389	26
Culture and recreation	373,358	378,153	378,153	
Conservation of natural resources	136,708	130,868	130,868	
Economic development and assistance	161,245	113,784	113,784	
Debt service:				
Principal		6,688	6,688	
Interest		75	75	
Total Expenditures	<u>6,868,549</u>	<u>7,591,550</u>	<u>7,591,232</u>	<u>318</u>
Excess of Revenues over (under) Expenditures	<u>688,508</u>	<u>677,349</u>	<u>676,184</u>	<u>(1,165)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		50	50	
Compensation for loss of capital assets		7,275	7,275	
Transfers in	396,700	357,639	377,639	20,000
Transfers out	1,116,700	(487,639)	(487,639)	
Total Other Financing Sources and Uses	<u>1,513,400</u>	<u>(122,675)</u>	<u>(102,675)</u>	<u>20,000</u>
Net Change in Fund Balance	2,201,908	554,674	573,509	18,835
Fund Balances - Beginning	<u>2,352,348</u>	<u>2,352,348</u>	<u>2,352,348</u>	
Fund Balances - Ending	<u>\$ 4,554,256</u>	<u>2,907,022</u>	<u>2,925,857</u>	<u>18,835</u>

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

BOLIVAR COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Road Maintenance Fund
 For the Year Ended September 30, 2003

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,509,307	1,557,566	1,557,566	
Road and bridge privilege taxes	290,000	398,827	398,827	
Licenses, commissions and other revenue		2,715	2,715	
Intergovernmental revenues	535,000	610,150	610,150	
Interest income	50,000	34,391	34,391	
Miscellaneous revenues		74,584	74,584	
Total Revenues	<u>2,384,307</u>	<u>2,678,233</u>	<u>2,678,233</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	2,402,846	2,649,429	2,649,406	23
Principal		317,508	317,508	
Interest		30,159	30,159	
Total Expenditures	<u>2,402,846</u>	<u>2,997,096</u>	<u>2,997,073</u>	<u>23</u>
Excess of Revenues over (under) Expenditures	<u>(18,539)</u>	<u>(318,863)</u>	<u>(318,840)</u>	<u>23</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		22,747	22,747	
Compensation for loss of capital assets		2,858	2,858	
Total Other Financing Sources and Uses	<u>0</u>	<u>25,605</u>	<u>25,605</u>	<u>0</u>
Net Change in Fund Balance	(18,539)	(293,258)	(293,235)	23
Fund Balances - Beginning	<u>1,886,187</u>	<u>1,886,187</u>	<u>1,886,187</u>	
Fund Balances - Ending	<u>\$ 1,867,648</u>	<u>1,592,929</u>	<u>1,592,952</u>	<u>23</u>

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

BOLIVAR COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2003

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 GASB 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).

BOLIVAR COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2003

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

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>Countywide Road Maintenance Fund</u>
Budget (Cash Basis)	\$ 573,509	(293,235)
Increase (Decrease)		
Net adjustments for revenue accruals	(405,055)	(2,006)
Net adjustments for expenditure accruals	<u>622,599</u>	<u>(2,232)</u>
GAAP Basis	\$ <u><u>791,053</u></u>	<u><u>(297,473)</u></u>

BOLIVAR COUNTY

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BOLIVAR COUNTY

SUPPLEMENTAL INFORMATION

BOLIVAR 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
MAJOR FEDERAL AWARDS			
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Community development block grant/state's program	14.228	5-096-PF-01	\$ 132,975
Community development block grant/state's program	14.228	4-096-PF-01	35,482
HOME investment partnerships program	14.239	M02-SG-280-929	163,679
Total Expenditures of Major Federal Awards			332,136
OTHER FEDERAL AWARDS			
U.S. Department of Agriculture/Passed-through the Mid-Delta Empowerment Zone Alliance Rural business enterprise grants	10.769	MOIECD0027	14,752
Empowerment zones program	10.772	MO1ECD0048	241,528
U.S. Department of Justice/ Passed-through the Mississippi Department of Public Safety Local law enforcement block grants program	16.592	2002-LB-BX-2452	2,200
U.S. Department of Justice-Office of Community Oriented Policing Services Public safety partnership and community policing grant	16.710	N/A	102,509
U.S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	N/A	6,600
U.S. Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency Public assistance grants	97.036	FEMA-1398-DR-MS	286,709
Total Expenditures of Other Federal Awards			654,298
Total Expenditures of Federal Awards			\$ 986,434

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

BOLIVAR COUNTY

Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2003

Operating Expenditures, Cash Basis:

Salaries	\$	29,862
Expendable Commodities:		
Gasoline and petroleum products		3,070
Repair parts		16,635
Office supplies		180
Signs		100
Contractual garbage collection		497,938
Insurance on equipment		1,949
Utilities		26,502
Engineering fees		750
Freight and hauling		4,550
Legal advertising		<u>2,509</u>
Solid Waste Cash Basis Operating Expenditures		584,045
Full Cost Expenses:		
Indirect administrative costs		5,666
Depreciation on equipment		12,258
Net effect of other accrued expenses		<u>5,625</u>
Solid Waste Full Cost Operating Expenses	\$	<u><u>607,594</u></u>

BOLIVAR COUNTY

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BOLIVAR COUNTY

SPECIAL REPORTS

BOLIVAR COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S 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
Bolivar County, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Bolivar County, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated July 15, 2005. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units. Our report includes a qualified opinion on the General Fund because the county did not maintain adequate subsidiary records documenting the fines receivable or the cash of the Circuit Court. Except for the limitations related to the qualified opinion, 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 Bolivar 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of noncompliance which we have reported to the management of Bolivar County, Mississippi, in the Independent Auditor's Report on Compliance with State Laws and Regulations and the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules dated July 15, 2005, included within this document.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bolivar 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 Bolivar 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 03-1, 03-2, 03-3 and 03-4.

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 03-1, 03-2 and 03-4 to be material weaknesses.

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



PHIL BRYANT
State Auditor



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

July 15, 2005



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Bolivar County, Mississippi

Compliance

We have audited the compliance of Bolivar 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. Bolivar County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Bolivar County, Mississippi's management. Our responsibility is to express an opinion on Bolivar 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 Bolivar 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 Bolivar County, Mississippi's compliance with those requirements.

In our opinion, Bolivar 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 Bolivar 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 Bolivar 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.

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



PHIL BRYANT
State Auditor



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

July 15, 2005



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Bolivar County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Bolivar 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 Bolivar 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 Bolivar 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 an instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed below:

Inventory Control Clerk.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. We noted the following deficiencies in the internal controls over capital assets:

- a. Many assets posted to the capital assets inventory listing are classified as an "Other" category, which is not a proper reporting category for major classes of capital assets as listed in the *Governmental Accounting, Auditing and Financial Reporting (GAAFR)* "Blue Book". Adjustments were made to the financial statements to correct these errors.

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- b. Salvage values were not applied consistently to all assets.
- c. Procedures to report additions and deletions of capital assets were not properly followed. In some instances the beginning balance of a capital asset was altered instead of being adjusted through the additions or deletions categories. This resulted in a net difference of \$128,474 between the September 30, 2002 ending capital asset balance and the October 1, 2002 beginning capital asset balance that could not be explained.
- d. Certain items listed on the capital asset listing could not be physically located.
- e. Some items visually inspected by the auditor could not be traced to the capital asset listing.
- f. The beginning balance of infrastructure was recorded at \$26,252,511, net of any prior year accumulated depreciation. An adjustment was made to correct this amount to reflect the proper amount for infrastructure and accumulated depreciation.

Recommendation

The Inventory Control Clerk should establish adequate control procedures to ensure that capital assets are recorded in the proper categories, salvage values are consistently applied to asset types, changes to asset values are properly recorded as additions or deletions and supported by documentation, all capital assets are physically accounted for and recorded in the capital asset records and infrastructure assets are recorded at the proper amounts.

Inventory Control Clerk's Response

The procedures to report additions and deletions to values of capital assets have been fully explained and they will be implemented immediately. This was the year GASB 34 procedures were implemented and the instructions were difficult to interpret with the limitations of the software. Most of these difficulties have been resolved.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Bolivar 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 Bolivar County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT
State Auditor



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

July 15, 2005

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

Schedule 1

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
03-18-03	2 Bushhog grass cutters	\$ 14,800	Planters Equipment Co.	\$ 14,796	The county had local access to parts and service work.

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

Schedule 2

Our test results did not identify any emergency purchases.

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

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
01-10-03	Vapor Tracer 2 contraband portable detector kit	\$ 27,795	Ion Track Instruments

BOLIVAR COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Members of the Board of Supervisors
Bolivar County, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Bolivar County, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated July 15, 2005. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units. Our report includes a qualified opinion on the General Fund because the county did not maintain adequate subsidiary records documenting the fines receivable or the cash of the Circuit Court. Except for the limitations related to the qualified opinion, 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 an immaterial instance of noncompliance with state laws and regulations. Our finding and recommendation and your response are disclosed below:

Circuit Clerk.

Finding

Section 9-1-43, Miss. Code Ann. (1972), requires the Circuit Clerk to maintain a fee journal to account for the receipts and expenses related to the operation of the office. As reported in the prior two year's audit reports, no records were provided to be audited. The failure to maintain a fee journal could result in the loss of public funds.

Recommendation

The Circuit Clerk should prepare, maintain and reconcile the fee journal as required by state law or hire someone to perform these tasks.

Circuit Clerk's Response

I have contacted an accountant who has committed to preparing, maintaining and reconciling the fee journal.

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



PHIL BRYANT
State Auditor



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

July 15, 2005

BOLIVAR COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

BOLIVAR COUNTY

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BOLIVAR COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2003

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|-----|---|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| a. | Material weakness identified? | No |
| b. | Reportable condition identified that is not considered to be a material weakness? | No |
| 6. | Any audit finding reported as required by Section __.510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| a. | Community development block grant/state's program; CFDA #14.228 | |
| b. | HOME investment partnerships program; CFDA #14.239 | |
| 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 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 |

BOLIVAR COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2003

Section 2: Financial Statement Findings

Circuit Clerk.

03-1. Finding

Management did not maintain adequate subsidiary records documenting the fines receivable in the Circuit Clerk's office. Therefore, the Independent Auditor's Report is qualified on the General Fund because we were not able to satisfy ourselves as to the fair presentation of the Circuit Court fines receivable in the General Fund.

Recommendation

The Circuit Clerk should establish procedures documenting the subsidiary fines receivable.

Circuit Clerk's Response

The programmers for the accounting program were contacted regarding the subsidiary records which were not on hand and were not requested of me. The accounting program had been updated to provide the information, but the Circuit Clerk's office had not been informed of the update. The Circuit Clerk is now able to comply with the recommendation after additional data input.

03-2. Finding

Internal control procedures were inadequate for maintaining adequate records documenting the activity of the civil and criminal courts. The Circuit Clerk did not provide any records for the civil or criminal accounts to the auditors to be audited. As of September 30, 2003, the Circuit Clerk had a balance of \$178,897.36 in the Circuit Court Civil bank account and \$151,626.06 in the Circuit Court Criminal bank account. As there were no records provided to audit, the book balance associated with these accounts could not be determined nor could we determine the identity of these funds. As a result, the Circuit Clerk's cash could not be recorded in the Bolivar County financial statements for the fiscal year ending September 30, 2003. Therefore, the Independent Auditor's Report is qualified on the General Fund because we were not able to examine records documenting the Circuit Court cash at September 30, 2003, and the related revenues and liabilities.

On February 5, 2004, and March 12, 2004, the Circuit Clerk made settlements to the county that are identified as collections for the months of May 2002 through December 2003. Since no records were provided for audit, we could not determine the correctness of these settlements.

Since late 1994, the Office of the State Auditor has worked with and offered to help the Circuit Clerk on numerous occasions. During that time, eleven audit reports have been issued addressing this issue. On February 29, 2000, the Circuit Clerk was put under a court order and given 42 weeks to completely reconcile bank statements to the cash journal for all accounts (civil and criminal) and post the cash journals (civil and criminal) for each year covering the period of October 1, 1993, through September 30, 2000. The Circuit Clerk was required to settle all funds collected for October 1, 1993, through September 30, 2000, on or prior to January 12, 2001.

Due to the Circuit Clerk's failure to comply with the court order, the Circuit Clerk's records were seized by the Office of the State Auditor during the fiscal year ended September 30, 2001. The Office of the State Auditor reconstructed records and made settlements accordingly.

No records have been provided for audit since that time.

BOLIVAR COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2003

Recommendation

The Circuit Clerk should prepare and maintain the necessary records to document the transactions of the civil and criminal courts or hire someone who is competent to prepare the records. She should also provide these records to the auditors to be audited. These records should include receipts for all collections, cash journals recording all receipts and disbursements, court dockets, accounts receivable records, and bank reconciliations. The Circuit Clerk should also ensure that all funds in these accounts are properly identified and settled.

Circuit Clerk's Response

My staff and I are continuing to identify funds in these accounts. Most of the funds are accumulated from a failure in our computer program during a power outage while transferring data from the Rosedale office to the server in the Cleveland office for back-up. Funds are being identified using case files and deposit books. The Circuit Clerk will comply.

The settlements for the civil and criminal cash journals are current through July 2005 with the exception of the criminal court fees for the month of July.

Tax Assessor-Collector.

03-3. Finding

Inadequate internal controls over cash exist in the Rosedale Tax Assessor-Collector's office as deposits do not appear to be made in a timely manner.

Recommendation

The Tax Assessor-Collector should implement controls to ensure that deposits are made in a timely manner.

Tax Assessor-Collector's Response

Deposits made at the First National Bank in Rosedale are made daily. During tax season, when deposits are above \$100,000, these deposits are transported to the Cleveland office and deposited in Cleveland State Bank account. This is due to the fact that The First National Bank will not secure the monies over the above mentioned amount. Therefore, our office has no other option available at this time.

Inventory Control Clerk.

03-4. Finding

We noted the following deficiencies in the internal controls over capital assets:

- a. Many assets posted to the capital assets inventory listing are classified as an "Other" category, which is not a proper reporting category for major classes of capital assets as listed in the *Governmental Accounting, Auditing and Financial Reporting (GAAFR)* "Blue Book". Adjustments were made to the financial statements to correct these errors.
- b. Salvage values were not applied consistently to all assets.

- c. Procedures to report additions and deletions of capital assets were not properly followed. In some instances the beginning balance of a capital asset was altered instead of being adjusted through the additions or deletions categories. This resulted in a net difference of \$128,474 between the September 30, 2002 ending capital asset balance and the October 1, 2002 beginning capital asset balance that could not be explained.
- d. Certain items listed on the capital asset listing could not be physically located.
- e. Some items visually inspected by the auditor could not be traced to the capital asset listing.
- f. The beginning balance of infrastructure was recorded at \$26,252,511, net of any prior year accumulated depreciation. An adjustment was made to correct this amount to reflect the proper amount for infrastructure and accumulated depreciation.

Recommendation

The Inventory Control Clerk should establish adequate control procedures to ensure that capital assets are recorded in the proper categories, salvage values are consistently applied to asset types, changes to asset values are properly recorded as additions or deletions and supported by documentation, all capital assets are physically accounted for and recorded in the capital asset records and infrastructure assets are recorded at the proper amounts.

Inventory Control Clerk's Response

The procedures to report additions and deletions to values of capital assets have been fully explained and they will be implemented immediately. This was the year GASB 34 procedures were implemented and the instructions were difficult to interpret with the limitations of the software. Most of these difficulties have been resolved.

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.