



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

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**PERRY COUNTY, MISSISSIPPI**

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



PERRY COUNTY

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PERRY COUNTY

FINANCIAL SECTION

PERRY 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  
Perry County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Perry County, Mississippi, as of and for the year ended September 30, 2003, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements referred to above include only the primary government of Perry County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Perry County, Mississippi, as of September 30, 2003, and the respective changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information for the primary government of Perry County, Mississippi, as of September 30, 2003, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, Perry 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 August 30, 2004, on our consideration of Perry 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.

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

The Budgetary Comparison Schedule and corresponding notes on pages 31 through 33 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.



PHIL BRYANT  
State Auditor



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

August 30, 2004

PERRY COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

PERRY COUNTY  
Statement of Net Assets  
September 30, 2003

Exhibit 1

	<u>Primary Government</u>
	Governmental Activities
<b>ASSETS</b>	
Cash	\$ 7,039,773
Property tax receivable	3,266,974
Fines receivable (net of allowance for uncollectibles of \$1,152,447)	288,112
Intergovernmental receivables	54,916
Other receivables	822
Capital assets, net	11,624,769
Total Assets	<u>22,275,366</u>
<b>LIABILITIES</b>	
Claims payable	18,654
Intergovernmental payables	82,970
Deferred revenue	3,266,974
Other payables	77,844
Long-term liabilities	
Due within one year:	
Capital related debt	443,121
Due in more than one year:	
Capital related debt	4,037,242
Non-capital debt	39,853
Total Liabilities	<u>7,966,658</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	7,144,406
Restricted:	
Expendable:	
General government	122,397
Debt service	420,871
Public safety	237,214
Public works	1,242,718
Health and welfare	243,958
Culture and recreation	281,766
Conservation of natural resources	143,991
Economic development	132,264
Unemployment compensation	24,850
Unrestricted	4,314,273
Total Net Assets	<u>\$ 14,308,708</u>

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

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

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Changes in Net Assets
					Primary Government
					Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 2,354,775	261,365			(2,093,410)
Public safety	982,930	190,512	45,174		(747,244)
Public works	2,160,064		1,486,821	217,550	(455,693)
Health and welfare	903,438		21,751		(881,687)
Culture and recreation	229,254	19,087			(210,167)
Conservation of natural resources	60,276	1,083			(59,193)
Economic development and assistance	17,102				(17,102)
Interest on long-term debt	278,784				(278,784)
Total Governmental Activities	\$ 6,986,623	472,047	1,553,746	217,550	(4,743,280)
General revenues:					
Property taxes				\$ 3,505,342	
Road & bridge privilege taxes				136,056	
Grants and contributions not restricted to specific programs				351,849	
Unrestricted interest income				78,314	
Miscellaneous				1,082,317	
Total General Revenues				5,153,878	
Changes in Net Assets				410,598	
Net Assets - Beginning, as restated				13,898,110	
Net Assets - Ending				\$ 14,308,708	

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

PERRY COUNTY  
 Balance Sheet - Governmental Funds  
 September 30, 2003

Exhibit 3

	<u>Major Fund</u>		
	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
<b>ASSETS</b>			
Cash	\$ 4,226,267	2,813,506	7,039,773
Property tax receivable	1,675,990	1,590,984	3,266,974
Fines receivable (net of allowance for uncollectibles \$1,152,447)	288,112		288,112
Intergovernmental receivables	54,916		54,916
Other receivables	822		822
Due from other funds		46,375	46,375
Advances to other funds	2,935		2,935
<b>Total Assets</b>	<b>\$ 6,249,042</b>	<b>4,450,865</b>	<b>10,699,907</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Claims payable	\$ 11,737	6,917	18,654
Intergovernmental payables	76,089		76,089
Due to other funds	53,256		53,256
Advances from other funds		2,935	2,935
Deferred revenue	1,964,102	1,590,984	3,555,086
Other payables	77,844		77,844
<b>Total Liabilities</b>	<b>2,183,028</b>	<b>1,600,836</b>	<b>3,783,864</b>
Fund balances:			
Reserved for:			
Debt service		420,871	420,871
Advances	2,935		2,935
Unemployment compensation		24,850	24,850
Unreserved, reported in:			
General Fund	4,063,079		4,063,079
Special Revenue Funds		2,404,308	2,404,308
<b>Total Fund Balances</b>	<b>4,066,014</b>	<b>2,850,029</b>	<b>6,916,043</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,249,042</b>	<b>4,450,865</b>	<b>10,699,907</b>

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

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

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 6,916,043
Amounts reported for governmental services in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$6,016,399.	11,624,769
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	288,112
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	<u>(4,520,216)</u>
Total Net Assets - Governmental Activities	<u>\$ 14,308,708</u>

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

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

	<u>Major Fund</u>		
	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Property taxes	\$ 1,662,077	1,843,265	3,505,342
Road and bridge privilege taxes		136,056	136,056
Licenses, commissions and other revenue	106,156	5,169	111,325
Fines and forfeitures	164,977	12,558	177,535
Intergovernmental revenues	401,757	1,721,726	2,123,483
Charges for services	70,258	112,591	182,849
Interest income	46,870	31,444	78,314
Miscellaneous revenues	199,954	882,363	1,082,317
Total Revenues	<u>2,652,049</u>	<u>4,745,172</u>	<u>7,397,221</u>
<b>EXPENDITURES</b>			
Current:			
General government	1,949,754	213,974	2,163,728
Public safety	920,053	65,905	985,958
Public works	43,706	2,944,804	2,988,510
Health and welfare	153,294	323,328	476,622
Culture and recreation		216,729	216,729
Conservation of natural resources	50,205	10,071	60,276
Economic development and assistance	17,102		17,102
Debt service:			
Principal	17,460	751,593	769,053
Interest	1,393	277,391	278,784
Total Expenditures	<u>3,152,967</u>	<u>4,803,795</u>	<u>7,956,762</u>
Excess of Revenues over (under) Expenditures	<u>(500,918)</u>	<u>(58,623)</u>	<u>(559,541)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Long-term capital debt issued	23,349	48,269	71,618
Proceeds from sale of capital assets	1,262	5,634	6,896
Transfers in		110,401	110,401
Transfers out	(81,212)	(29,189)	(110,401)
Total Other Financing Sources and Uses	<u>(56,601)</u>	<u>135,115</u>	<u>78,514</u>
Net Changes in Fund Balances	(557,519)	76,492	(481,027)
Fund Balances - Beginning	<u>4,623,533</u>	<u>2,773,537</u>	<u>7,397,070</u>
Fund Balances - Ending	<u>\$ 4,066,014</u>	<u>2,850,029</u>	<u>6,916,043</u>

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

PERRY COUNTY

Exhibit 4-1

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

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (481,027)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$1,166,421 exceeded depreciation of \$965,231 in the current period.	201,190
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 \$945 and the proceeds from the sale of \$6,896 in the current period.	(7,841)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$769,053 exceeded debt proceeds of \$71,618.	697,435
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 the amount of reductions in compensated absences.	<u>841</u>
Change in Net Assets of Governmental Activities	<u>\$ 410,598</u>

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

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

Exhibit 5

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 7,764
Due from other funds	<u>6,881</u>
Total Assets	<u><u>\$ 14,645</u></u>
<b>LIABILITIES</b>	
Other liabilities	\$ 680
Intergovernmental payables	<u>13,965</u>
Total Liabilities	<u><u>\$ 14,645</u></u>

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

## PERRY COUNTY

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

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

##### A. Financial Reporting Entity.

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

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

- Perry County Economic Development District

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

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

##### B. Basis of Presentation.

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

##### Government-wide Financial Statements:

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

## PERRY 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 of the county at year end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the county.

#### Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

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

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

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

The county reports the following major Governmental Fund:

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

Additionally, the county reports the following fund types:

#### GOVERNMENTAL FUND TYPES

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

## PERRY COUNTY

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

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

#### FIDUCIARY FUND TYPE

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

#### D. Account Classifications.

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

#### E. Deposits and Investments.

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

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

#### F. Receivables.

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

#### G. Interfund Transactions and Balances.

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

PERRY COUNTY

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

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial 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 elect not to report major general infrastructure assets retroactively. Perry County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

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

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

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

I. Long-term Liabilities.

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

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

## PERRY COUNTY

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

#### J. Equity Classifications.

##### Government-wide Financial Statements:

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

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

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

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

##### Fund Financial Statements:

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

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

#### 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.

## PERRY COUNTY

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

#### 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. 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 \$39,853 for accumulated unpaid personal leave up to a maximum of 30 days per employee is reported as a liability in the Statement of Net Assets.

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

For the fiscal year ended September 30, 2003, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - 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.

PERRY COUNTY

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

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 Fund:				
General	\$ 4,623,533			4,623,533
Other Governmental Funds:				
Special Revenue	2,371,254	16,630		2,387,884
Debt Service	385,653			385,653
<b>Total Governmental Funds</b>	<b>7,380,440</b>	<b>16,630</b>	<b>0</b>	<b>7,397,070</b>
Governmental Activities:				
Capital assets, net		17,424,770	(5,993,350)	11,431,420
Long-term liabilities		(5,218,492)		(5,218,492)
Fines receivable			288,112	288,112
<b>Total Governmental Funds and Governmental Activities</b>	<b>\$ 7,380,440</b>	<b>12,222,908</b>	<b>(5,705,238)</b>	<b>13,898,110</b>
Fiduciary Funds				
Expendable Trust	\$ 16,630	(16,630)	0	0
Account Groups				
General Fixed Assets	\$ 17,424,770	(17,424,770)		0
General Long-term Debt	(5,218,492)	5,218,492		0
<b>Total Account Groups</b>	<b>\$ 12,206,278</b>	<b>(12,206,278)</b>	<b>0</b>	<b>0</b>

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2003, was \$7,047,537, and the bank balance was \$7,727,454. 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.

PERRY COUNTY

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

(4) 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>
Other Governmental Funds	General	\$ 46,375
Agency Funds	General	<u>6,881</u>
Total		<u>\$ 53,256</u>

The 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. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other Governmental Funds	<u>\$ 2,935</u>

The receivable represents the indirect costs due to solid waste operations.

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 81,212
Other Governmental Funds	Other Governmental Funds	<u>29,189</u>
Total		<u>\$ 110,401</u>

The principal purpose of interfund transfers was to provide funds for emergency 911 services and for unemployment compensation. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

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

<u>Description</u>	<u>Amount</u>
Legislative tax credit	\$ 44,350
Reimbursement for welfare	1,974
Reimbursement for housing prisoners	<u>8,592</u>
Total Governmental Activities	<u>\$ 54,916</u>

PERRY COUNTY

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

(6) Capital Assets.

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

	Balance Oct. 1, 2002	Additions	Deletions	Adjustments *	Balance Sept. 30, 2003
<u>Non-depreciable capital assets:</u>					
Land	\$ 898,900	20,000	0	0	918,900
<u>Depreciable capital assets:</u>					
Infrastructure		1,020,000			1,020,000
Buildings	9,454,810			(287,155)	9,167,655
Improvements other than buildings	133,457			(83,457)	50,000
Mobile equipment	3,160,068	34,097	78,412	153,672	3,269,425
Furniture and equipment	2,855,017	20,706		(436,705)	2,439,018
Leased property under capital leases	922,518	71,618		(217,966)	776,170
Total depreciable capital assets	<u>16,525,870</u>	<u>1,146,421</u>	<u>78,412</u>	<u>(871,611)</u>	<u>16,722,268</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure		35,700			35,700
Buildings		180,863		1,891,023	2,071,886
Improvements other than buildings		2,000		2,000	4,000
Mobile equipment		472,391	70,571	2,329,253	2,731,073
Furniture and equipment		130,272		439,377	569,649
Leased property under capital leases		144,005		460,086	604,091
Total accumulated depreciation	<u>0</u>	<u>965,231</u>	<u>70,571</u>	<u>5,121,739</u>	<u>6,016,399</u>
Total depreciable capital assets, net	<u>16,525,870</u>	<u>181,190</u>	<u>7,841</u>	<u>(5,993,350)</u>	<u>10,705,869</u>
Governmental activities capital assets, net	<u>\$ 17,424,770</u>	<u>201,190</u>	<u>7,841</u>	<u>(5,993,350)</u>	<u>11,624,769</u>

\* Adjustments are the effect of implementing GASB 34.

Depreciation expense was charged to the following functions:

	<u>Amount</u>
General government	\$ 267,018
Public safety	68,590
Public works	190,282
Health and welfare	426,816
Culture and recreation	<u>12,525</u>
Total governmental activities depreciation expense	<u>\$ 965,231</u>

PERRY COUNTY

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

(7) 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.

(8) Operating Leases.

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$388,000 for the year ended September 30, 2003. The future minimum lease receivable for these leases is as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2004	\$ <u><u>363,000</u></u>

On August 27, 2004, the county hospital facilities previously leased by a privately owned entity, Dasse Community Health Systems, were sold to Bay Street Properties, LLC.

(9) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2003:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 677,619
Other furniture and equipment	<u>98,551</u>
Total	776,170
Less: Accumulated depreciation	<u>604,091</u>
Leased Property Under Capital Leases	\$ <u><u>172,079</u></u>

PERRY COUNTY

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

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

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 143,121	17,999
2005	225,965	6,236
2006	44,909	1,588
2007	21,368	345
Total	<u>\$ 435,363</u>	<u>26,168</u>

(10) 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>
A. General Obligation Bonds:			
Partial refunding bonds	\$ 730,000	4.70/5.40	05-10
Jail building bonds	835,000	5.12/6.00	02-14
General obligation building bonds	240,000	4.60/6.50	10-10
General obligation refunding bonds	<u>2,240,000</u>	4.10/5.95	04-17
Total General Obligation Bonds	<u>\$ 4,045,000</u>		
B. Capital Leases:			
Dump truck	\$ 5,148	4.65	07-04
John Deere loader	9,426	4.65	03-04
2000 Dodge truck	2,209	5.15	03-04
2000 Crown Victoria	4,874	4.65	10-04
Dozer	33,977	5.16	03-06
New Holland tractor	12,606	4.50	08-05
Motor grader	123,283	5.50	11-04
John Deere dozer	26,955	4.50	03-05
New Holland tractor	21,064	5.10	03-06
New Holland tractor	38,382	4.01	08-07
Crown Victoria	13,467	4.44	10-05
911 network	78,676	4.50	10-05
2003 Crown Victoria	21,528	3.60	09-07
2003 Chevy Silverado truck	16,651	3.69	03-07
Tractor	<u>27,117</u>	3.58	09-07
Total Capital Leases	<u>\$ 435,363</u>		

PERRY COUNTY

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

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

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 300,000	223,723
2005	325,000	208,437
2006	330,000	191,757
2007	355,000	174,268
2008	370,000	158,594
2009 - 2013	1,440,000	513,707
2014 - 2018	925,000	132,140
Total	\$ <u>4,045,000</u>	<u>1,602,626</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 5.4% 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, \$700,000 of bonds outstanding were considered defeased.

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

	Balance				Balance	Amount due
	Oct. 1, 2002	Additions	Reductions	Adjustments	Sept. 30, 2003	within one
						year
Compensated absences	\$ 40,694		841		39,853	
General obligation bonds	4,330,000		285,000		4,045,000	300,000
Capital leases	525,191	71,618	161,446		435,363	143,121
Other loans	322,607		322,607			
Total	\$ <u>5,218,492</u>	<u>71,618</u>	<u>769,894</u>		<u>4,520,216</u>	<u>443,121</u>

(11) 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.

PERRY COUNTY

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

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.

Hospital Note Contingencies - The county is contingently liable for the retirement of a note in the amount of \$274,403 (old debt of the Perry County General Hospital), because the full faith, credit and taxing power of the county is secondarily pledged in case of default. The principal amount of the note outstanding at September 30, 2003 is \$260,108.

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

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

<u>Description</u>	<u>Balance at Sept. 30, 2003</u>
Industrial revenue bonds	\$ <u><u>570,608,000</u></u>

(13) Joint Ventures.

The county participates in the following joint ventures:

Perry County is a participant with the Counties of Covington, Greene and Stone in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Pine Forest Regional Library. The joint venture was created to provide free library service to the citizens of the respective counties, and is governed by a five-member board. Each county appoints one board member with the appointment of the fifth member rotating annually among the counties. By contractual agreement, the county's appropriation to the joint venture was \$79,401 in fiscal year 2003. Complete financial statements for the Pine Forest Regional Library can be obtained from P.O. Box 1208, Richton, MS 39476.

Perry County is a participant with the Counties of Covington and Jones, and the Cities of Hattiesburg, Laurel and Petal in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the Pine Belt Regional Solid Waste Authority. The joint venture was created to dispose of solid waste in members of the authority. The Perry County Board of Supervisors appoints one of the 12 members of the board of directors. The authority is funded by user fees based on the volume of solid waste. Complete financial statements for the Pine Belt Regional Solid Waste Authority can be obtained from P.O. Box 1898, Hattiesburg, MS 39403.

Perry County is a participant with the Town of Richton in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the Richton-Perry County Airport. The joint venture was created to provide an airport facility available for use by the general public. The five members of the board of directors are appointed as follows: Perry County, two; the Town of Richton, two; and jointly by Perry County and the Town of Richton, one. The county's appropriation of the joint venture was \$5,650 in fiscal year 2003. Complete financial statements for the Richton-Perry County Airport can be obtained from City Hall at 208 Front Street South in Richton, Mississippi.

## PERRY COUNTY

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

#### (14) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Mississippi Regional Housing Authority VIII operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The governing body is a 15-member board of commissioners; one appointed by the Board of Supervisors of each of the member counties and one appointed at large. The counties generally provide no financial support to the organization.

Pearl River Valley Opportunity, Inc., operates in a district composed of the Counties of Covington, Forrest, Jefferson Davis, Jones, Lamar, Marion, Pearl River and Perry. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Perry County Board of Supervisors appoints one of the 24 members of the board of directors. The primary source of funding for the entity is derived from federal funds. Each county provides a modest amount of financial support when matching funds are required for federal grants.

Southeast Mississippi Air Ambulance District provides air ambulance service to the Counties of Covington, Forrest, Greene, Jefferson Davis, Lamar, Marion, Pearl River, Perry and Walthall. The Perry County Board of Supervisors appoints one of the nine members of the board of directors. The county appropriated \$33,108 for support of the district in fiscal year 2003.

Pine Belt Mental Health Care Resources operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne. The Perry County Board of Supervisors appoints one of the nine members of the board of commissioners. The county provides only modest financial support for the entity.

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Perry County Board of Supervisors appoints one of the 27 members of the board of directors. The county contributes a small percentage of the district's total revenue.

Jones County Junior College operates in a district composed of the Counties of Clarke, Covington, Greene, Jasper, Jones, Perry, Smith and Wayne. The Perry County Board of Supervisors appoints two of the 20 members of the college board of trustees. The county appropriated \$215,826 for maintenance and support of the college in fiscal year 2003.

#### (15) Defined Benefit Pension Plan.

Plan Description. Perry 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.

PERRY COUNTY

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

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 \$158,091, \$159,233 and \$154,203, respectively, equal to the required contributions for each year.

(16) Other Information.

As a result of revenue shortfalls, the State Tax Commission had to withhold 7.98% of the March 2003 homestead exemption reimbursement from local governments. The amount withheld from Perry County during the 2002-2003 fiscal year was \$9,289.

(17) Subsequent Events.

Subsequent to September 30, 2003, Perry 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>
10-01-03	2.65	\$ 69,927	Lease purchase	Sanitation Fund revenues
12-09-03	3.00	22,760	Lease purchase	General Fund revenues
06-18-04	3.30	37,887	Lease purchase	District 1 Road Fund revenues
06-18-04	3.30	37,887	Lease purchase	District 2 Road Fund revenues
06-18-04	3.30	37,887	Lease purchase	District 3 Road Fund revenues
06-18-04	3.30	37,887	Lease purchase	District 5 Road Fund revenues
07-23-04	3.30	37,887	Lease purchase	District 4 Road Fund revenues
08-15-04	3.12	74,973	Lease purchase	Sanitation Fund revenues

On August 27, 2004, Perry County sold the former Perry County Hospital. At this time, general obligation refunding bonds were defeased as well as the outstanding hospital revenue note contingencies.

PERRY COUNTY

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PERRY COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

PERRY COUNTY

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 1,643,024	1,671,275	1,671,275	
Licenses, commissions and other revenue	94,750	103,198	103,198	
Fines and forfeitures	123,750	157,084	157,084	
Intergovernmental revenues	426,297	445,204	400,057	(45,147)
Charges for services		61,666	61,666	
Interest income	51,000	46,755	46,755	
Miscellaneous revenues	65,264	152,335	197,482	45,147
Total Revenues	<u>2,404,085</u>	<u>2,637,517</u>	<u>2,637,517</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	856,530	1,955,154	1,955,154	
Public safety	4,940	995,384	995,384	
Public works	5,650	43,706	43,706	
Health and welfare	161,512	156,192	156,192	
Education		19,097	19,097	
Conservation of natural resources		50,396	50,396	
Economic development and assistance		17,102	17,102	
Total Expenditures	<u>1,028,632</u>	<u>3,237,031</u>	<u>3,237,031</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>1,375,453</u>	<u>(599,514)</u>	<u>(599,514)</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in			65,814	65,814
Transfers out	65,365	(65,814)	(65,814)	
Other financing sources			3,751	3,751
Total Other Financing Sources and Uses	<u>65,365</u>	<u>(65,814)</u>	<u>3,751</u>	<u>69,565</u>
Net Change in Fund Balance	1,440,818	(665,328)	(595,763)	69,565
Fund Balances - Beginning	<u>4,608,901</u>	<u>4,608,901</u>	<u>4,608,950</u>	<u>49</u>
Fund Balances - Ending	<u>\$ 6,049,719</u>	<u>3,943,573</u>	<u>4,013,187</u>	<u>69,614</u>

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

PERRY 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.

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).

PERRY 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:

	<u>Governmental Fund Type</u> General <u>Fund</u>
Budget (Cash Basis)	\$ (595,763)
Increase (Decrease)	
Net adjustments for revenue accruals	(30,422)
Net adjustments for expenditure accruals	<u>68,666</u>
GAAP Basis	<u>\$ (557,519)</u>

PERRY COUNTY

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PERRY COUNTY

SPECIAL REPORTS

PERRY 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  
Perry County, Mississippi

We have audited the primary government financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Perry County, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated August 30, 2004. 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 unit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Perry 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 immaterial instances of noncompliance which we have reported to the management of Perry County, Mississippi, in the Independent Auditor's Report on Compliance with State Laws and Regulations dated August 30, 2004, included within this document.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Perry 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 Perry 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 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 and 03-4 to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than this specified party. 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

August 30, 2004



## 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  
Perry County, Mississippi

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

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

In our opinion, Perry 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 Perry 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

August 30, 2004

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

Schedule 1

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

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

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
12-03-02	Building material	\$ 6,547	Economy Supply	To repair community center roof destroyed as the result of excessive rain.

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

Schedule 3

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

PERRY 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  
Perry County, Mississippi

We have audited the primary government financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Perry County, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated August 30, 2004. 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 unit. 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 a certain immaterial instance of noncompliance with state laws and regulations. Our finding and recommendation and your response is disclosed below:

Circuit Clerk.

### Finding

Section 9-1-43, Miss. Code Ann. (1972), places a limit on the compensation of the Circuit Clerk and gives the Office of the State Auditor the authority to prescribe a system to account for all sources of income and disbursements of the Circuit Clerk. Adequate documentation was not provided to support all expenses claimed.

### Recommendation

The Circuit Clerk should maintain and present adequate documentation for all expenses posted to the fee journal.

### Circuit Clerk's Response

I will comply to have adequate documentation for the office expenses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than this specified party. 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

August 30, 2004

PERRY COUNTY

SCHEDULE OF FINDINGS

PERRY COUNTY

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PERRY COUNTY

Schedule of Findings  
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:     | Unqualified |
| 2. | Material noncompliance relating to the primary government financial statements?     | No          |
| 3. | Internal control over financial reporting:  |             |
| a. | Material weaknesses identified?   | Yes         |
| b. | Reportable conditions identified that are not considered to be material weaknesses? | Yes         |

***Federal Awards:***

- |  |     |
|--|-----|
| 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? | Yes |
|--|-----|

Section 2: Financial Statement Findings

Tax Assessor-Collector.

03-1. Finding

Weak controls exist over the recording and settlement of funds. The following weaknesses were noted:

- a. Collections were not settled by the twentieth of the next month following the month of collection.
- b. The legislative tag credit receivable was not posted to the cash journal.
- c. The bank accounts were not reconciled to the cash journal.
- d. Deposits were not made on a daily basis and frequently did not match amounts collected.
- e. The cash journals did not foot or crossfoot.

Recommendation

The Tax Assessor-Collector should implement control procedures to handle the recording and settlement of cash.

Tax Assessor-Collector's Response

I concur.

PERRY COUNTY

Schedule of Findings  
For the Year Ended September 30, 2003

Circuit Clerk.

03-2. Finding

Deposits were not made on a timely basis.

Recommendation

The Circuit Clerk should ensure that deposits are made on a timely basis.

Circuit Clerk's Response

We do not collect money every day. I will comply to making deposits on each day money has been collected.

Sheriff.

03-3. Finding

Deposits were not made on a timely basis.

Recommendation

The Sheriff should ensure that deposits are made on a timely basis.

Sheriff's Response

I concur.

Justice Court Clerk.

03-4. Finding

Weak controls exist over the recording of funds. Balances were not carried forward to the next month on cash journals, causing incorrect balances in the journals. Bank statements were not reconciled to the criminal cash journal.

Recommendation

The Justice Court Clerk should implement procedures for the recording of funds in the cash journals and ensure that balances are carried forward to the next month so that the bank statements can be properly reconciled to the cash journals.

Justice Court Clerk's Response

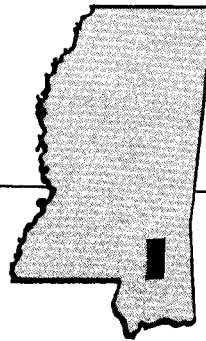
The Justice Court Clerk who was employed at this time is no longer employed. A new clerk was hired and we are attempting to implement procedures to correct these problems.

PERRY COUNTY

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

PERRY

COUNTY



OFFICE OF  
BOARD OF SUPERVISORS  
NEW AUGUSTA, MISSISSIPPI 39462

PHONE NO. (601) 964-8370  
FAX NO. (601) 964-8265

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For Year Ended September 30, 2003

Office of the State Auditor  
P.O. Box 956  
Jackson, Mississippi 39205

Gentlemen:

Perry County respectfully submits the following summary schedule of prior audit findings relative to federal awards.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

2002 - FINDING NO. 1: HOME Investment Partnerships Program/Passed-through the Mississippi Development Authority, CFDA No. 14.239

Condition: During compliance testing for the 01-02 award year, we noted that Perry County did not comply with the grant's cash management provisions which require the County follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement. There were several occasions when cash was drawn down, but the related expenditures of grant funds was more than 15 days. Also, the grant administrator provided inaccurate information as to the completion of projects and as a result, the Board of Supervisors approved requests for cash prior to the completion of projects.

Recommendation: In future years, Perry County should request funds only when accurate information has been provided from the grant administrator concerning the needed eligible costs. A payment should be remitted as soon as grant funds are received.

Current Status: Corrective action was taken.

Sincerely yours,

*Natalie Harvison*  
Natalie Harvison  
Comptroller  
(601) 964-8370