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ADAMS COUNTY, MISSISSIPPI

Primary Government Financial Statements  
and Special Reports  
For the Year Ended  
September 30, 2004

Switzer, Hopkins & Mange  
300 Main Street  
Natchez MS 39120

ADAMS COUNTY, MISSISSIPPI

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ADAMS COUNTY

FINANCIAL SECTION

# SWITZER, HOPKINS & MANGE

## Certified Public Accountants

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

Members of the Board of Supervisors  
Adams County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Adams County, Mississippi, as of and for the year ended September 30, 2004, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

The financial statements referred to above include only the primary government of Adams County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Adams County, Mississippi, as of September 30, 2004, and the respective changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects, if any, of the matter described in the third paragraph, the primary government financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Adams County, Mississippi, as of September 30, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the primary government financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, the Port and Harbor Fund, the County-Wide Road Maintenance and Construction Fund, the Debt Service Fund and the aggregate remaining fund information of Adams County, Mississippi, as of September 30, 2004, 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, the County has retroactively reported general infrastructure assets, as allowed by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended and interpreted, as of September 30, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2005, on our consideration of Adams County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 4 through 13 and the Budgetary Comparison Schedule and corresponding notes on pages 43 through 47 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 inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise Adams County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Natchez, Mississippi  
August 24, 2005

ADAMS COUNTY, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year ended September 30, 2004

**INTRODUCTION**

The discussion and analysis of Adams County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2004. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

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

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

**FINANCIAL HIGHLIGHTS**

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

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

Total net assets decreased \$2,059,265, which represents a 7.3% decrease from the prior fiscal year. The County's ending cash balance decreased by \$54,551, which represents a 1% decrease from the prior fiscal year.

The County had \$15,611,538 in total revenues. Tax revenues account for \$8,861,376 or 57% of total revenues. Federal, state and local government revenues in the form of reimbursements, shared revenue or grants, account for \$4,205,742 or 27% of total revenues.

The County had \$17,505,402 in total expenses, which represents a decrease of \$112,421 or a 0.6% decrease from the prior fiscal year. Expenses in the amount of \$5,654,847 were offset by grants, outside contributions or debt being issued. General revenues of \$11,652,815 were not adequate to provide for the remainder of the expenses resulting in a decrease in total governmental fund balances of \$197,740.

Among major funds, the General Fund had \$8,590,126 in revenues and \$9,495,623 in expenditures. The General Fund's fund balance decreased \$312,832 under the prior year.

Among major funds, the Port and Harbor Fund had \$725,952 in revenues and \$948,493 in expenditures. The Port and Harbor Fund's fund balance decreased \$92,658 over the prior year.

Among major funds, the Countywide Road Maintenance Fund had \$1,773,286 in revenues and \$1,957,295 in expenditures. The Countywide Road Maintenance Fund's fund balance increased \$377,970 over the prior year.

Among major funds, the Debt Service Fund had \$789,261 in revenues and \$1,046,009 in expenditures. The Debt Service Fund's fund balance decreased \$343 over the prior year.

Capital assets, net of accumulated depreciation, decreased by \$2,095,086. This significant change was primarily due to depreciation.

Long-term debt increased by \$357,653, primarily due to the payment of long-term debt.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

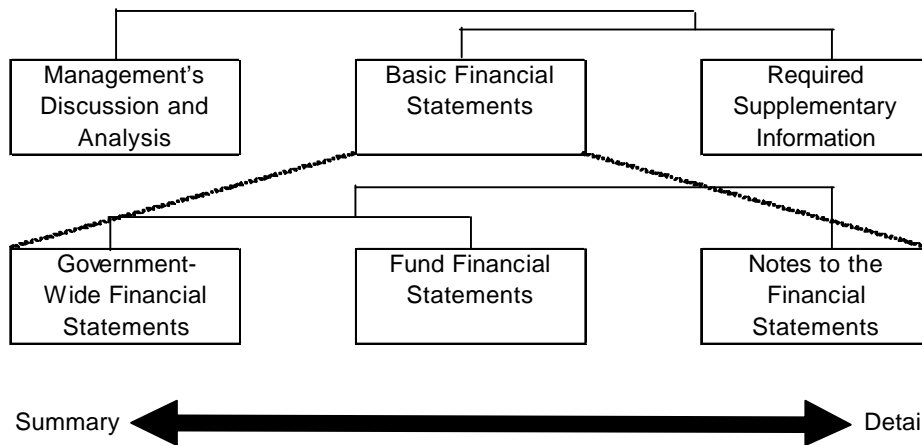


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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

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

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

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

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

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

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

The Government-wide Financial Statements can be found on pages 15 – 16 of this report.

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

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

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

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

The basic governmental funds financial statements can be found on pages 17 – 20 of this report.

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

Fund financial statements for the proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements can be found on pages 21 – 23 of this report.

**Fiduciary funds** are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Net Assets, which can be found on page 24 of this report.

**Notes to the financial statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 25 – 41 of this report.

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

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 43 – 47 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 49 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Assets** — Net assets may serve over time as a useful indicator of government’s financial position. In the case of Adams County, assets exceeded liabilities by \$26,148,313 as of September 30, 2004.

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

The following table presents a summary of the County’s net assets for the fiscal year ended September 30, 2004.

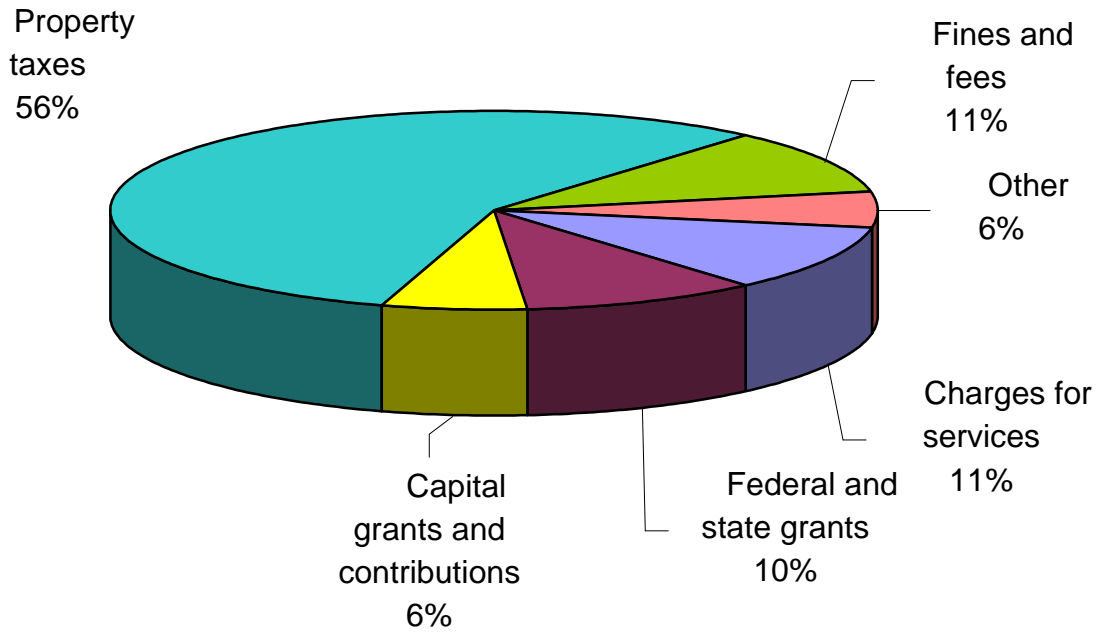
	Governmental Activities	
	2004	2003
Current assets	\$ 14,159,678	\$ 15,135,621
Capital assets, net	38,801,034	40,896,120
Total assets	<u>52,960,712</u>	<u>56,031,741</u>
Current liabilities	7,329,029	7,983,140
Long-term debt outstanding	19,483,370	19,841,023
Total liabilities	<u>26,812,399</u>	<u>27,824,163</u>
Net assets:		
Invested in capital assets, net of related debt	29,422,722	31,910,331
Restricted	1,470,087	1,259,821
Unrestricted	(4,744,496)	(4,962,574)
Total net assets	<u>\$ 26,148,313</u>	<u>\$ 28,207,578</u>

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

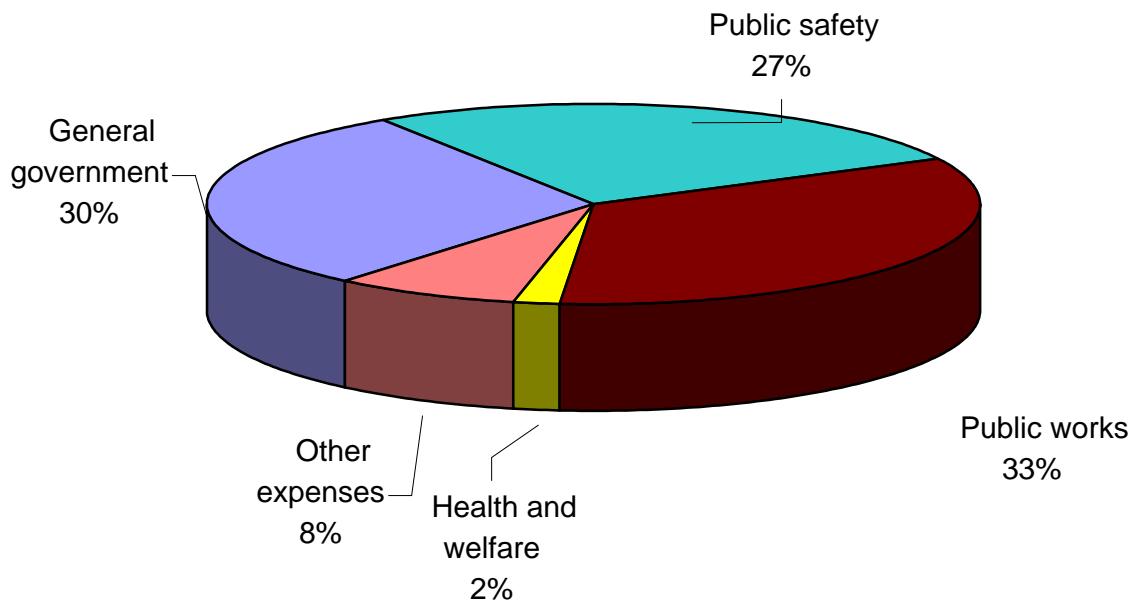
**Changes in Net Assets** — Adams County’s total revenues for the fiscal year ended September 30, 2004 was \$15,700,811. The total cost for all services provided was \$17,760,076. The decrease in net assets was \$2,059,265. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2004 and 2003:

Revenues:	<u>2004</u>	<u>2003</u>
Program revenues		
Charges for services	\$ 1,703,373	\$ 1,958,119
Federal and state grants	1,587,156	1,445,340
Capital grants and contributions	959,675	150,504
General revenues		
Property taxes	8,861,375	8,542,434
Fines and fees	1,658,016	1,535,264
Other	<u>931,216</u>	<u>870,265</u>
Total Revenues	<u>15,700,811</u>	<u>14,501,926</u>
 Expenses:		
General government	5,259,620	5,197,374
Public safety	4,773,901	4,377,279
Public works	5,991,929	5,952,346
Health and welfare	361,517	418,876
Other expenses	<u>1,373,109</u>	<u>1,366,885</u>
Total Expenses	<u>17,760,076</u>	<u>17,312,760</u>
 (Decrease) in Net Assets	 <u>\$ (2,059,265)</u>	 <u>\$ (2,810,834)</u>

### WHERE THE COUNTY GETS ITS REVENUE



### HOW THE COUNTY REVENUES ARE USED



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

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

	Total Costs	Net Costs
General government	\$ 5,259,620	\$ 4,564,081
Public safety	4,773,901	3,302,060
Public works	5,991,929	4,104,213
Health and welfare	361,517	172,214
Economic Development	197,086	197,086
Interest on long-term debt	953,103	953,103
Other	222,920	217,115

**FINANCIAL ANALYSIS OF THE COUNTY’S FUNDS**

**Governmental funds** — At the close of the fiscal year, Adams County’s governmental funds reported a combined fund balance of \$6,421,135, a decrease of \$174,884. The primary reasons for this decrease are highlighted in the analysis of governmental activities. In addition, others factors that affected ending fund balance are as follows:

- Non-capital debt of \$1,150,000 was issued and no principal payments were due by the end of the fiscal year.

The General Fund is the principal operating fund of the County. The decrease in the fund balance of the General Fund for the fiscal year was \$312,832. This decrease was primarily due to:

- Increase in transfers to Self-funded Health Insurance Fund to pay claims in excess of budget.
- Increase in expenditures for:
  - General government
  - Public safety
- Decrease in revenues other than property taxes

**BUDGETARY HIGHLIGHTS OF MAJOR FUNDS**

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

Over the course of the year, Adams County amended various line items of the budget on several occasions and amended its final budget to reflect actual revenues received and expenditures paid. The primary reason for the differences in budgeted and actual amounts was because of unanticipated revenues and expenses.

The summary of the County's budget is as follows:

	<u>Original Budget</u>	<u>Actual</u>	Favorable (Unfavorable) Variance with <u>Original Budget</u>
<b>General Fund</b>			
Total revenues	\$ 9,197,721	\$ 8,955,293	\$ (242,428)
Total expenditures	9,065,772	9,387,592	(321,820)
Total other financing sources and uses	2,600	(5,080)	(7,680)
Net Change in Fund Balance	\$ 134,549	\$ (437,379)	\$ (571,928)
			Favorable (Unfavorable) Variance with <u>Final Budget</u>
	<u>Final Budget</u>	<u>Actual</u>	
<b>General Fund</b>			
Total revenues	\$ 8,965,155	\$ 8,955,293	\$ (9,862)
Total expenditures	9,370,734	9,387,592	(16,858)
Total other financing sources and uses	659,322	(5,080)	(664,402)
Net Change in Fund Balance	\$ 253,743	\$ (437,379)	\$ (691,122)
			Favorable (Unfavorable) Variance with <u>Original Budget</u>
	<u>Original Budget</u>	<u>Actual</u>	
<b>Ports and Harbors Fund</b>			
Total revenues	\$ 99,600	\$ 98,454	\$ (1,146)
Total expenditures	170,000	329,754	(159,754)
Total other financing sources and uses	50,400	138,543	88,143
Net Change in Fund Balance	\$ (20,000)	\$ (92,757)	\$ (72,757)
			Favorable (Unfavorable) Variance with <u>Final Budget</u>
	<u>Final Budget</u>	<u>Actual</u>	
<b>Ports and Harbors Fund</b>			
Total revenues	\$ 98,405	\$ 98,454	\$ 49
Total expenditures	321,094	329,754	(8,660)
Total other financing sources and uses	259,557	138,543	(121,014)
Net Change in Fund Balance	\$ 36,868	\$ (92,757)	\$ (129,625)
			Favorable (Unfavorable) Variance with <u>Original Budget</u>
	<u>Original Budget</u>	<u>Actual</u>	
<b>Co-Wide Road Maintenance Fund</b>			
Total revenues	\$ 1,838,453	\$ 1,909,926	\$ 71,473
Total expenditures	2,161,153	2,049,231	111,922
Total other financing sources and uses	-	561,979	561,979
Net Change in Fund Balance	\$ (322,700)	\$ 422,674	\$ 745,374
			Favorable (Unfavorable) Variance with <u>Final Budget</u>
	<u>Final Budget</u>	<u>Actual</u>	
<b>Co-Wide Road Maintenance Fund</b>			
Total revenues	\$ 1,946,928	\$ 1,909,926	\$ (37,002)
Total expenditures	2,014,140	2,049,231	(35,091)
Total other financing sources and uses	300,000	561,979	261,979
Net Change in Fund Balance	\$ 232,788	\$ 422,674	\$ 189,886

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets** — As of September 30, 2004, Adams County's total capital assets were \$89,658,578. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase from the previous year of \$822,577 primarily due to additions to building and infrastructure in the current year.

Total accumulated depreciation as of September 30, 2004 was \$50,857,544, including \$3,296,430 of depreciation expense for the year. The balance in total net capital assets was \$38,801,034 at year-end.

Additional information on Adams County's capital assets can be found in note 10 on pages 36 – 37 of this report.

**Debt Administration** — At September 30, 2004, Adams County had \$19,483,370 in long-term debt outstanding. This includes general obligation bonds, special obligation bonds, other loans and obligations under capital lease. Of this debt, \$3,196,060 is due within one year.

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

Additional information on Adams County's long-term debt can be found in note 13 on pages 38 – 41 of this report.

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

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

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

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

ADAMS COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

ADAMS COUNTY  
Statement of Net Assets  
September 30, 2004

Exhibit 1

	Primary Government
	Governmental Activities
<b>ASSETS</b>	
Cash (Note 4)	\$ 2,806,792
Cash with fiscal agent	727,301
Property tax receivable	5,915,069
Accounts receivables - waste collection, net of allowance for doubtful accounts of \$526,327	73,847
Loans receivable (Note 5)	3,406,270
Capital leases receivable (Note 6)	500,507
Intergovernmental receivables (Note 8)	283,738
Other receivables (Note 9)	188,706
Deferred debt issue costs	257,448
Capital assets (Note 10)	38,801,034
Total Assets	<u>52,960,712</u>
<b>LIABILITIES</b>	
Claims payable	357,307
Intergovernmental payables	622,079
Accrued interest payable	179,056
Deferred revenue:	
Property taxes	5,915,069
Other	61,772
Other payables	193,746
Long-term liabilities	
Due within one year:	
Capital related debt	1,285,990
Non-capital debt	1,910,070
Due in more than one year:	
Capital related debt	8,092,322
Non-capital debt	8,194,988
Total Liabilities	<u>26,812,399</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	29,422,722
Restricted net assets:	
Expendable:	
Debt service	519,208
Unemployment compensation	27,983
Capital projects	922,896
Unrestricted	(4,744,496)
Total Net Assets	<u>\$ 26,148,313</u>

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

ADAMS COUNTY  
Statement of Activities  
For the Year Ended September 30, 2004

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Primary Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 5,259,620	\$ 640,826	\$ 54,713	\$ -	\$ (4,564,081)
Public safety	4,773,901	571,064	777,014	123,763	(3,302,060)
Public works	5,991,929	491,483	566,126	830,107	(4,104,213)
Health and welfare	361,517	-	189,303	-	(172,214)
Culture and recreation	90,158	-	-	5,805	(84,353)
Conservation of natural resources	132,762	-	-	-	(132,762)
Economic development and assistance	197,086	-	-	-	(197,086)
Interest on long-term debt	953,103	-	-	-	(953,103)
Total Governmental Activities	<u>17,760,076</u>	<u>1,703,373</u>	<u>1,587,156</u>	<u>959,675</u>	<u>(13,509,872)</u>
General revenues:					
Taxes:					
Property taxes				\$ 8,861,375	
Road & bridge privilege taxes				624,719	
Grants and contributions not restricted to specific programs				1,658,016	
Unrestricted investment income				121,024	
Miscellaneous				185,473	
Total General Revenues				<u>11,450,607</u>	
Changes in Net Assets					(2,059,265)
Net Assets - Beginning, as restated (Note 2)					<u>28,207,578</u>
Net Assets - Ending					<u>\$ 26,148,313</u>

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

ADAMS COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2004

Exhibit 3

	Major Funds					Total Governmental Funds
	General Fund	Port and Harbor Fund	Countywide Road Maintenance Fund	Debt Service Fund	Other Governmental Funds	
<b>ASSETS</b>						
Cash	\$ 1,132,106	\$ 39,418	\$ 532,435	\$ 55,549	\$ 1,046,283	\$ 2,805,791
Cash with fiscal agent	-	-	-	727,301	-	727,301
Accounts receivable, net	-	-	-	-	47,396	47,396
Loans receivable	-	3,000,000	-	-	406,270	3,406,270
Capital lease receivable	-	-	-	-	567,232	567,232
Intergovernmental receivables	193,735	-	-	-	90,003	283,738
Other receivables	13,658	-	-	-	175,048	188,706
Due from other funds	34,305	1,803	414,950	14,116	1,021,960	1,487,134
Advances to other funds	349,399	23,424	35,000	2,140	35,500	445,463
<b>Total Assets</b>	<b>\$ 1,723,203</b>	<b>\$ 3,064,645</b>	<b>\$ 982,385</b>	<b>\$ 799,106</b>	<b>\$ 3,389,692</b>	<b>\$ 9,959,031</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Claims payable	\$ 264,196	1,564	\$ 42,658	\$ -	\$ 48,889	\$ 357,307
Intergovernmental payables	279,157	-	14,086	-	-	293,243
Due to other funds	1,427,165	-	-	202,000	186,805	1,815,970
Advances from other funds	25,564	-	10,580	77,898	134,584	248,626
<b>Deferred revenue:</b>						
Capital leases	-	-	-	-	567,232	567,232
Other	-	-	-	-	61,772	61,772
Other payables	193,746	-	-	-	-	193,746
<b>Total Liabilities</b>	<b>2,189,828</b>	<b>1,564</b>	<b>67,324</b>	<b>279,898</b>	<b>999,282</b>	<b>3,537,896</b>
<b>Fund balances:</b>						
<b>Reserved for:</b>						
Advances	-	23,424	35,000	2,140	35,500	96,064
Loans receivable	-	3,000,000	-	-	406,270	3,406,270
Debt service funds	-	-	-	517,068	-	517,068
<b>Unreserved, reported in:</b>						
General fund	(466,625)	-	-	-	-	(466,625)
Special revenue funds	-	39,657	880,061	-	1,025,744	1,945,462
Capital project funds	-	-	-	-	922,896	922,896
<b>Total Fund Balances</b>	<b>(466,625)</b>	<b>3,063,081</b>	<b>915,061</b>	<b>519,208</b>	<b>2,390,410</b>	<b>6,421,135</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,723,203</b>	<b>\$ 3,064,645</b>	<b>\$ 982,385</b>	<b>\$ 799,106</b>	<b>\$ 3,389,692</b>	<b>\$ 9,959,031</b>

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

## ADAMS COUNTY

Exhibit 3-1

## Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets

September 30, 2004

	<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$ 6,421,135
Amounts reported for governmental services in the statement of net assets (Exhibit 1) are different because:	
Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds	
Capital assets net of depreciation as of 10-1-02	40,896,120
Plus capital outlay expenditures made during the year	1,311,837
Less depreciation expense recorded during the year	(3,296,430)
Less book value of capital assets sold during the year	(110,493)
Accounts receivable that have accrued at year end but are not available to liquidate liabilities of the current period are not reported in the funds.	26,451
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Capital leases	500,507
Deferred debt issue costs	257,448
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds.	
Long-term liabilities	(19,483,370)
Accrued interest on bonds	(179,056)
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets	(195,836)
Total net assets - governmental activities (Exhibit 1)	<u><u>\$ 26,148,313</u></u>

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

## ADAMS COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2004

	Major Funds					
	General Fund	Port and Harbor Fund	Countywide Road Maintenance Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Property taxes	\$ 6,430,264	\$ 99,950	\$ 171,154	\$ 787,177	\$ 1,372,831	\$ 8,861,376
Road and bridge privilege taxes	-	-	624,719	-	-	624,719
Licenses, commissions and other revenue	392,005	-	-	-	11,562	403,567
Fines and forfeitures	247,680	-	44,952	-	6,184	298,816
Intergovernmental revenues	1,266,322	625,834	919,316	-	1,394,270	4,205,742
Charges for services	130,470	-	-	-	844,072	974,542
Interest income	56,173	15	13,145	2,084	64,028	135,445
Miscellaneous revenues	67,212	153	-	-	39,966	107,331
Total Revenues	8,590,126	725,952	1,773,286	789,261	3,732,913	15,611,538
<b>EXPENDITURES</b>						
Current:						
General government	4,817,939	-	-	-	268,362	5,086,301
Public safety	3,001,926	-	-	-	1,332,596	4,334,522
Public works	-	295,667	1,481,643	-	1,472,731	3,250,041
Health and welfare	361,517	-	-	-	-	361,517
Culture and recreation	64,943	-	-	-	25,215	90,158
Education	-	-	-	-	-	-
Conservation of natural resources	134,972	-	-	-	-	134,972
Economic development and assistance	20,586	-	-	-	176,500	197,086
Capital outlays	162,532	652,826	181,073	-	315,406	1,311,837
Debt service:						
Principal	765,690	-	258,442	515,000	369,108	1,908,240
Interest	165,518	-	36,137	531,009	98,064	830,728
Bond issue costs	-	-	-	-	-	-
Total Expenditures	9,495,623	948,493	1,957,295	1,046,009	4,057,982	17,505,402
Excess of Revenues over (under) Expenditures	(905,497)	(222,541)	(184,009)	(256,748)	(325,069)	(1,893,864)
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-term capital debt issued	-	-	300,000	-	-	300,000
Long-term non-capital debt issued	1,150,000	-	-	-	-	1,150,000
Refunding bonds issued	-	-	-	-	-	-
Proceeds from sale of capital assets	12,298	-	101,044	-	69,918	183,260
Compensation for loss of capital assets	2,141	-	1,935	-	402	4,478
Transfers in	1,724	138,543	159,000	256,405	153,469	709,141
Transfers out	(573,498)	-	-	-	(135,643)	(709,141)
Transfers out to component unit	-	(8,660)	-	-	-	(8,660)
Lease principal payments	-	-	-	-	67,046	67,046
Payment to bond refunding escrow agent	-	-	-	-	-	-
Total Other Financing Sources and Uses	592,665	129,883	561,979	256,405	155,192	1,696,124
Net Changes in Fund Balances	(312,832)	(92,658)	377,970	(343)	(169,877)	(197,740)
Fund Balance - Beginning as restated (Note 2)	(153,793)	3,155,739	537,091	519,551	2,560,287	6,618,875
Fund Balances - Ending	\$ (466,625)	\$ 3,063,081	\$ 915,061	\$ 519,208	\$ 2,390,410	\$ 6,421,135

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

Adams County  
 Reconciliation of the Statement of Revenues, Expenditures and Changes  
 in Fund Balances of Governmental Funds to the Statement of Activities  
 For the Year Ended September 30, 2004

Exhibit 4-1

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Net changes in fund balances - total governmental funds (Exhibit 4) \$ (197,740)

Amounts reported for governmental activities in the statement of activities  
 are different because:

Governmental funds report capital outlays as expenditures. However, in the  
 statement of activities, the cost of those assets is allocated over their estimated  
 useful lives and reported as depreciation expense. Thus, the change in net assets  
 differs from the change in fund balances by the amount that depreciation of  
 \$3,296,430 exceeded capital outlays of \$1,311,837 in the current period. (1,984,593)

In the statement of activities, only gains and losses from the sale of capital assets  
 are reported, whereas in the governmental funds, proceeds from the sale of  
 capital assets increase financial resources and loss from the sale of capital  
 assets decrease financial resources. Thus, the change in net assets differs  
 from the change in fund balances by the difference in the amount of the gain of  
 \$72,767 and the proceeds from the sale of \$183,260 in the current period. (110,493)

Waste collection revenues recognized on the modified accrual basis in the funds  
 during the current year is increased because current year recognition is required  
 for the statement of activities on the full-accrual basis of accounting. 26,451

In the statement of activities, only interest income from payments received on capital  
 leases are reported, whereas in the governmental funds, both principal and interest  
 proceeds increase financial resources. Thus, the change in net assets differs from  
 change in fund balances by the principal collections on the capital leases. (67,046)

Debt proceeds provide current financial resources to governmental funds, but  
 issuing debt increases long-term liabilities in the statement of assets. Repayment  
 of debt principal is an expenditure in the governmental funds, but the repayment  
 reduces long-term liabilities in the statement of net assets. Thus, the change in  
 net assets differs from the change in fund balances by the amount that debt  
 debt repayments of \$1,908,240 exceeded debt proceeds of \$1,450,000 458,240

Under the modified accrual basis of accounting used in the governmental funds,  
 expenditures are not recognized for transactions that are not normally paid with  
 expendable available financial resources. However, in the statement of activities,  
 which is presented on the accrual basis, expenses and liabilities are reported  
 regardless of when financial resources are available. In addition, interest on long-  
 term debt is recognized under the modified accrual basis of accounting when due,  
 rather than as it accrues. Thus, the change in net assets differs from the change  
 in fund balances by a combination of the following items:

Capitalize and amortize bond issue costs and deferred interest on refunded bonds	(89,569)
Accrued interest on long-term liabilities	(47,229)
Increase in liability for compensated absences	(29,981)

An internal service fund is used by management to charge the cost of insurance  
 to individual funds. The net revenue (expense) is reported within governmental  
 activities. (17,305)

Change in net assets of governmental activities (Exhibit 2) \$ (2,059,265)

ADAMS COUNTY  
Statement of Net Assets  
Self-funded Health Insurance Internal Service Fund  
September 30, 2004

Exhibit 5

	Governmental Activities
	<u>Internal Service Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 1,000
Advances to other funds	9,164
Total Current Assets	<u>10,164</u>
<b>LIABILITIES</b>	
Current liabilities:	
Advances from other funds	206,000
Current portions of long-term non-capital debt:	
Claims and judgments payable	203,175
Total Current Liabilities	<u>409,175</u>
<b>NET ASSETS</b>	
Unrestricted	(399,011)
Total Net Assets	<u>\$ (399,011)</u>

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

ADAMS COUNTY  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Self-funded Health Insurance Internal Service Fund  
For the Year Ended September 30, 2004

Exhibit 6

	Governmental Activities
	<u>Internal Service Fund</u>
Operating Revenues	
Charges for services	\$ 1,544,243
Operating Expenses	
Claims payment	1,392,881
Insurance premiums	<u>169,555</u>
Total Operating Expenses	<u>1,562,436</u>
Operating Income (Loss)	(18,193)
Nonoperating Revenues (Expenses)	
Interest income	<u>888</u>
Changes in net assets	(17,305)
Net Assets - Beginning	<u>(381,706)</u>
Net Assets Ending	<u><u>\$ (399,011)</u></u>

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

## ADAMS COUNTY

Exhibit 7

Statement of Cash Flows - Proprietary Fund  
 Self-funded Health Insurance Internal Service Fund  
 For the Year Ended September 30, 2004

	Governmental Activities
	Internal Service Fund
	<u>                    </u>
Cash Flows From Operating Activities	
Receipts for premiums	\$ 1,544,243
Payments for claims	(1,375,626)
Payments for insurance premiums	(169,555)
Net Cash Provided by Operating Activities	<u>(938)</u>
Cash Flows From Investing Activities	
Interest and dividends on investments	888
Net Cash Provided by Investing Activities	<u>888</u>
Net (Decrease) in Cash and Cash Equivalents	(50)
Cash and Cash Equivalents at Beginning of Year	<u>1,050</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,000</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (18,193)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Increase in claims and judgments liability	17,255
Total Adjustments	<u>17,255</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (938)</u>

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

ADAMS COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2004

Exhibit 8

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 304,478
Due from other funds	349,836
Total Assets	<u>\$ 654,314</u>
<b>LIABILITIES</b>	
Held in custody for others	\$ 654,314
Total Liabilities	<u>\$ 654,314</u>

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

# ADAMS COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2004

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

#### A. Financial Reporting Entity.

Adams County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Adams County to present these financial statements on the primary government and its component units, which have significant operational or financial relationships with the county.

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

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

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

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

#### B. Blended Component Unit.

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

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

#### C. Basis of Presentation.

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

# ADAMS COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2004

### C. Basis of Presentation - Continued

#### Government-wide Financial Statements:

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

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

#### Fund Financial Statements:

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

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

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

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

# ADAMS COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2004

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

The county reports the following major governmental funds:

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

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

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

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

#### GOVERNMENTAL FUND TYPES

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

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

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

#### PROPRIETARY FUND TYPES

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

#### FIDUCIARY FUND TYPES

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

### E. Account Classifications.

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

### F. Deposits and Investments.

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

# ADAMS COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2004

### F. Deposits and Investments - Continued

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

### G. Receivables.

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

### H. Interfund Transactions and Balances.

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

### I. Capital Assets.

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

Governmental accounting and financial reporting standards allow governments meeting certain criteria to retroactively report major general infrastructure assets by September 30, 2007. Adams County meets this criteria, but has elected in this fiscal year to retroactively report major general infrastructure assets acquired after September 30, 1980 in the government-wide financial statements. Current year general infrastructure assets are reported on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

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

ADAMS COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

I. Capital Assets – Continued

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

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

J. Long-term liabilities.

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

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

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

K. Equity Classifications.

Government-wide Financial Statements:

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

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

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

# ADAMS COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2004

### K. Equity Classifications - Continued

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

Fund Financial Statements:

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

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

### L. Property Tax Revenues.

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

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

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

### M. Intergovernmental Revenues in Governmental Funds.

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

### N. Compensated Absences.

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

Therefore, the county's full liability in the amount of \$249,304 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

# ADAMS COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2004

(2) Changes in Accounting Principles and Prior Period Adjustment.

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*.

In accordance with GASB Statement No. 34, the county elected during the current fiscal year to retroactively report general infrastructure assets acquired after September 30, 1980 in the government-wide financial statements.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities:

Explanation	Amount
Net assets, Beginning, as reported	\$ 321,130
General infrastructure assets	27,886,448
Net assets, Ending, as restated	<u>\$ 28,207,578</u>

Exhibit 4 - Statement of Revenues, Expenditures and changes in Fund Balances:

Explanation	Debt Service Fund
Fund Balances, Beginning, as reported	\$ 496,695
To reflect additional cash with fiscal agents and reduce debt issue costs in prior period	22,856
Fund Balance, Ending, as restated	<u>\$ 519,551</u>

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2004, was \$3,838,571, and the bank balance was \$4,277,312. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

(4) Loans Receivable

Loans receivable balances at September 30, 2004, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Balance Payable
Adams County Port Commission	11/01/97	5.20%	11/17	\$ 3,000,000
Mississippi River Corporation CDBG loan	06/01/92	6.25%	1/13	406,270
Total				<u>\$ 3,406,270</u>

## ADAMS COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2004

(4) Loans Receivable - Continued

The Adams County Port Commission loan of \$3,000,000 represents the amount of a November 1, 1997 loan agreement between Adams County and the Mississippi Development Bank. This loan receivable has been recorded by the county since the debt was to be repaid from revenues of the Port Commission, provided funds were available. Due to a shortage of funds at the Port Commission, the county made the principal and interest payments totaling \$759,429 before this debt was advance refunded in September, 2003 with the proceeds of the special obligation refunding bonds - Series 2003 (See Note 11).

(5) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2004:

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

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2004, are as follows:

Year Ended September 30	Principal	Interest	Total
2005	\$ 69,604	\$ 17,663	\$ 87,267
2006	72,259	15,008	87,267
2007	75,016	12,251	87,267
2008	77,878	9,389	87,267
2009	80,849	6,418	87,267
2010-2013	124,901	5,996	130,897
Total	\$ 500,507	\$ 66,725	\$ 567,232

As Lessee:

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

Classes of Property	Governmental Activities
Buildings	\$ 1,767,004
Mobile equipment	2,600,704
Other furniture and equipment	633,003
Total	5,000,711
Less Accumulated Depreciation	(1,480,621)
Leased Property Under Capital Leases	\$ 3,520,090

ADAMS COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

(5) Capital Leases - Continued

The following is a schedule by years of the total payments due as of September 30, 2004:

Year Ended September 30	Governmental Activities	
	Principal	Interest
2005	\$ 1,150,284	\$ 132,046
2006	415,130	82,316
2007	333,826	64,173
2008	329,456	49,520
2009	283,093	49,520
2010-2013	454,766	19,072
Total	<u>\$ 2,966,555</u>	<u>\$ 396,647</u>

(6) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2004:

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
Major Funds:		
General Fund	Nonmajor Governmental Funds	\$ 34,305
Port and Harbor Fund	General Fund	1,803
Countywide Road Maintenance Fund	General Fund	284,450
Countywide Road Maintenance Fund	Debt Service Fund	102,000
Countywide Road Maintenance Fund	Nonmajor Governmental Funds	28,500
Debt Service Fund	General Fund	14,116
Nonmajor Governmental Funds	Debt Service Fund	100,000
Nonmajor Governmental Funds	General Fund	797,960
Nonmajor Governmental Funds	Nonmajor Governmental Funds	124,000
Agency Funds	General Fund	328,836
Total		<u>\$ 1,815,970</u>

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

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

ADAMS COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

(6) Interfund Transactions and Balances – Continued

B. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
Major Funds:		
General Fund	Countywide Road Maintenance Fund	\$ 9,000
General Fund	Debt Service Fund	77,899
General Fund	Nonmajor Governmental Funds	56,500
General Fund	Internal Service Fund	206,000
Countywide Road Maintenance Fund	Nonmajor Governmental Funds	35,000
Port and Harbor	General Fund	23,424
Debt Service Fund	General Fund	2,140
Nonmajor Governmental Funds	Nonmajor Governmental Funds	35,500
Internal Service Fund	Countywide Road Maintenance Fund	1,580
Internal Service Fund	Nonmajor Governmental Funds	7,584
Total		<u>\$ 454,627</u>

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

C. Transfers In/Out

Transfer In	Transfer Out	Amount
Major Funds:		
General Fund	Nonmajor Governmental Funds	\$ 1,724
Port and Harbor Fund	General Fund	138,543
Countywide Road Maintenance Fund	General Fund	159,000
Debt Service Fund	General Fund	256,405
Nonmajor Governmental Funds	General Fund	19,550
Nonmajor Governmental Funds	Nonmajor Governmental Funds	133,919
Total		<u>\$ 709,141</u>

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

(7) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2004 consisted of the following:

Governmental Activities:

Description	Amount
Legislative tag credit	\$ 151,553
State and local gaming revenues	72,295
Adolescent Offenders Program Grant	17,599
Department of Corrections for housing inmates	15,254
Other	27,037
Total	<u>\$ 283,738</u>

## ADAMS COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2004

(8) Other Receivables.

The following is a summary of other receivables balances at September 30, 2004:

Description	Amount
Industrial prospect	\$ 175,048
County official	4,930
Other	8,728
<b>Total</b>	<b>\$ 188,706</b>

(9) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2004:

Governmental activities:

	Balance October 1, 2003	Additions	Deletions	Adjustments	Balance September 30, 2004
<b><u>Non-depreciable capital assets:</u></b>					
Land	\$ 1,986,859	\$ -	\$ -	\$ -	\$ 1,986,859
Construction in progress	197,622	181,073		(152,679)	226,016
<b>Total non-depreciable capital assets</b>	<b>2,184,481</b>	<b>181,073</b>	<b>-</b>	<b>(152,679)</b>	<b>2,212,875</b>
<b><u>Depreciable capital assets:</u></b>					
Infrastructure	-	652,826	-	69,172,836	69,825,662
Buildings	8,769,040	226,483			8,995,523
Improvements other than buildings	-	-	-		-
Mobile equipment	2,571,217	120,325	158,454		2,533,088
Furniture and equipment	986,087	131,130	26,498		1,090,719
Leased property under capital leases	5,152,345		151,634		5,000,711
<b>Total depreciable capital assets</b>	<b>17,478,689</b>	<b>1,130,764</b>	<b>336,586</b>	<b>69,172,836</b>	<b>87,445,703</b>
<b><u>Less accumulated depreciation for:</u></b>					
Infrastructure	-	2,396,999	-	41,133,709	43,530,708
Buildings	2,987,601	159,976	-		3,147,577
Improvements other than buildings	-	-	-	-	-
Mobile equipment	2,094,615	138,233	134,010		2,098,838
Furniture and equipment	515,560	108,088	23,848		599,800
Leased property under capital leases	1,055,722	493,134	68,235		1,480,621
<b>Total accumulated depreciation</b>	<b>6,653,498</b>	<b>3,296,430</b>	<b>226,093</b>	<b>41,133,709</b>	<b>50,857,544</b>
<b>Total depreciable capital assets, net</b>	<b>10,825,191</b>	<b>(2,165,666)</b>	<b>110,493</b>	<b>28,039,127</b>	<b>36,588,159</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 13,009,672</b>	<b>\$ (1,984,593)</b>	<b>\$ 110,493</b>	<b>\$ 27,886,448</b>	<b>\$ 38,801,034</b>

ADAMS COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

(9) Capital Assets - Continued

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 157,747
Public safety	397,331
Public works	2,741,352
Health and welfare	-
Culture and recreation	-
Total governmental activities depreciation expense	\$ 3,296,430

The adjustments to governmental capital assets was to add old infrastructure in accordance with GASB 34.

As of September 30, 2004, the county has no commitments with respect to unfinished capital projects:

(10) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$500,000 for law enforcement personnel and \$350,000 for all other employees for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2004, to January 1, 2005. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The county is exposed to risk of loss relating to employee health, accident and dental coverage. Beginning in May 1995 and pursuant to Section 25-15-101, Miss. Code Ann. (1972), the county established a risk management fund (included as an Internal Service Fund) to account for and finance its uninsured risk of loss. Under the plan, amounts payable to the risk management fund are based on actuarial estimates. Each participating public entity, including Adams County, pays the premium on a single coverage policy for its respective employees. Employees desiring additional and/or dependent coverage pay the additional premium through a payroll deduction. Premium payments to the risk management fund are determined on an actuarial basis. The county has a minimum uninsured risk retention to the extent that actual claims submitted exceed the predetermined premium. The county has implemented the following plans to minimize this potential loss:

The county has purchased coinsurance which functions on two separate stop loss coverages: specific and aggregate. These coverages are purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$45,000, and the aggregate policy covers all submitted claims in excess of \$50,000.

ADAMS COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

(10) Claims and Judgments – Continued

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). At September 30, 2004, the amount of these liabilities was \$203,175. An analysis of claims activities is presented below:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2002-2003	\$ 180,933	1,047,576	1,042,589	\$ 185,920
2003-2004	\$ 185,920	1,392,881	1,375,626	\$ 203,175

(11) Long-term Debt.

Debt outstanding as of September 30, 2004, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Port bonds	\$ 100,000	7.20%	05/06
Debt refunding bonds - Series 2002	3,785,000	3.0/4.4%	08/12
Taxable urban renewal bonds - Series 2002	765,000	6.51%	04/12
Total general obligation bonds	<u>\$ 4,650,000</u>		
B. Limited Obligation Bonds:			
Special obligation refunding bonds - Series 2003	<u>\$ 7,960,000</u>	2.6 - 5.0%	07/24
C. Capital Leases:			
Energy efficient equipment	677,551	5.10%	07/10
Trucks, tractors and mowers	194,000	5.50%	08/05
Fire equipment	19,761	5.35%	03/05
Road equipment	118,280	4.94%	07/05
Sheriff vehicles	59,181	3.26%	12/04
Energy efficient equipment	552,133	4.85%	08/12
Road equipment	479,624	3.89%	05/05
Sheriff vehicles	68,950	2.72%	05/06
Computer equipment	103,892	4.05%	02/08
E-911 equipment	517,979	4.15%	11/09
Road equipment	175,204	2.94%	09/08
Total capital leases	<u>\$ 2,966,555</u>		

# ADAMS COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2004

(11) Long-term Debt – Continued

D. Other Loans:

CDBG loan	406,269	6.25%	01/13
CAP loan	502,698	3.75%	04/11
Adams County Port revolving loan	402,662	3.00%	03/09
Revenue shortfall loan 2003	602,095	3.67%	08/06
Capital expenditure loan 2003	445,000	2.60%	08/08
Market Street building renovation	271,649	1.25%	12/12
Revenue shortfall loan 2004	1,150,000	4.40%	09/07
Lewis Drive capital expenditure loan 2004	300,000	3.63%	09/09
	<u>300,000</u>		
Total other loans	<u>\$ 4,080,373</u>		

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

Year Ending September 30	General Obligation Bonds		Special Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 540,000	\$ 209,785	\$ -	\$ 353,795	\$ 1,053,295	\$ 152,572
2006	555,000	186,778	-	353,795	1,077,247	112,340
2007	530,000	163,095	445,000	353,795	786,850	71,166
2008	550,000	139,761	465,000	342,225	415,497	40,641
2009	575,000	115,502	480,000	328,740	310,592	26,530
2010 - 2014	1,900,000	182,504	2,710,000	1,352,823	436,892	27,657
2015 - 2019	-		3,150,000	637,000	-	
2020 - 2024	-		710,000	110,250	-	
2024 - 2028	-		-	-	-	
	<u>\$ 4,650,000</u>	<u>\$ 997,425</u>	<u>\$ 7,960,000</u>	<u>\$ 3,832,423</u>	<u>\$ 4,080,373</u>	<u>\$ 430,906</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, 2004, the amount of outstanding debt was equal to 7.41% 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, 2004, \$10,095,000 of bonds outstanding were considered defeased.

ADAMS COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

(11) Long-term Debt – Continued

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2004:

	Balance Oct. 1, 2003	Additions	Reductions	Balance Sept. 30, 2004	Amount due within one year
Bonds and notes payable:					
General obligation bonds	\$ 5,165,000	\$ -	\$ 515,000	\$ 4,650,000	\$ 540,000
Special obligation bonds	7,960,000	-	-	7,960,000	-
Capital leases	3,758,747	-	792,192	2,966,555	1,150,285
Other loans	3,231,421	1,450,000	601,048	4,080,373	1,053,296
	<u>20,115,168</u>	<u>1,450,000</u>	<u>1,908,240</u>	<u>19,656,928</u>	<u>2,743,581</u>
Less deferred amount on refundings	(679,388)		(53,351)	(626,037)	
Total bonds and notes payable	<u>19,435,780</u>	<u>1,450,000</u>	<u>1,854,889</u>	<u>19,030,891</u>	<u>2,743,581</u>
Compensated absences	219,323	29,981	-	249,304	249,304
Claims and judgements	185,920	1,392,881	1,375,626	203,175	203,175
	<u>185,920</u>	<u>1,392,881</u>	<u>1,375,626</u>	<u>203,175</u>	<u>203,175</u>
Total	<u>\$19,841,023</u>	<u>\$ 2,872,862</u>	<u>\$ 3,230,515</u>	<u>\$ 19,483,370</u>	<u>\$ 3,196,060</u>

(12) Deficits Fund Balance of Individual Funds.

Fund	Deficit Amount
General fund	\$ 466,625
Special Revenue Funds:	
Juvenile Accountability Grant	\$ 4,710
MS Victims of Crime	102
Airport	3,027
Law Library	1,388
Waste Collection and Disposal	161,813
Adams County Drug Court Fund	13,590

The following fund had a deficit retained earnings balance at September 30, 2004:

Fund	Deficit Amount
Internal Service Fund:	
Self-funded health insurance	\$ 399,011

(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.

ADAMS COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

(13) Contingencies – Continued

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

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

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

Description	Balance at Sept. 30, 2004
General obligation school notes	\$ 3,266

Hospital Revenue Bond Contingencies - The county issues revenue bonds to provide funds for constructing and improving capital facilities of the Natchez Regional Medical Center. Revenue bonds are reported as a liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the county remains contingently liable for the retirement of these bonds because the full faith, credit and taxing power of the county is secondarily pledged in case of default by the hospital. The principal amount of hospital revenue bonds outstanding at September 30, 2004, is \$10,857,167.

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

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

Description	Balance at Sept. 30, 2004
Industrial revenue bonds	\$ 81,997,650

(15) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

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

Jefferson, Lawrence, Lincoln and Simpson. The Adams County Board of Supervisors appoints five of the 27 members of the college board of trustees. The county appropriated \$774,746 for maintenance and support of the college in fiscal year 2004.

Southwest Mississippi Planning and Development District operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Adams County Board of Supervisors appoints four of the 40 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$43,220 for the support of the district in fiscal year 2004.

# ADAMS COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2004

(15) Jointly Governed Organizations – Continued

Southwest Mississippi Mental Health Complex operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Adams County Board of Supervisors appoints one of the ten members of the board of commissioners. The county appropriated \$77,000 for its support in fiscal year 2004.

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

(16) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2004, 2003 and 2002 were \$522,069, \$502,320 and \$493,787, respectively, equal to the required contributions for each year.

(17) Subsequent Events.

Subsequent to September 30, 2004, the county issued the following debt obligation:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
08/04/04	3.09%	\$ 73,111	Capital lease	Tax revenues
03/22/05	3.00%	660,000	Other loan	Tax revenues
06/06/05	3.59%	\$ 498,283	Capital lease	Tax revenues

ADAMS COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

Adams County  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2004

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 6,330,787	\$ 6,423,149	\$ 6,423,149	\$ -
Road and bridge privilege taxes	-	-	-	-
Licenses, commissions and other revenue	399,290	401,837	391,780	(10,057)
Fines and forfeitures	390,000	247,680	247,680	-
Special assessments	-	-	-	-
Contributions to permanent funds	-	-	-	-
Intergovernmental revenues	1,783,219	1,672,921	1,675,424	2,503
Charges for services	198,000	113,866	113,866	-
Interest income	63,800	55,522	56,868	1,346
Miscellaneous revenues	32,625	50,180	46,526	(3,654)
Total Revenues	<u>9,197,721</u>	<u>8,965,155</u>	<u>8,955,293</u>	<u>(9,862)</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,863,428	3,977,579	3,981,879	(4,300)
Public safety	3,047,182	3,283,286	3,283,286	-
Public works	-	-	-	-
Health and welfare	364,129	362,224	362,224	-
Culture and recreation	60,200	65,471	65,471	-
Education	406,475	410,561	410,561	-
Conservation of natural resources	190,032	132,447	132,447	-
Economic development and assistance	20,300	22,300	22,300	-
Debt service:				
Principal	675,263	675,270	675,270	-
Interest	438,763	441,596	454,154	(12,558)
Total Expenditures	<u>9,065,772</u>	<u>9,370,734</u>	<u>9,387,592</u>	<u>(16,858)</u>
Excess of Revenues over (under) Expenditures	<u>131,949</u>	<u>(405,579)</u>	<u>(432,299)</u>	<u>(26,720)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Other financing sources	521,485	5,577,262	2,651,079	(2,926,183)
Other financing uses	(518,885)	(4,917,940)	(2,656,159)	2,261,781
Total Other Financing Sources and Uses	<u>2,600</u>	<u>659,322</u>	<u>(5,080)</u>	<u>(664,402)</u>
Net Change in Fund Balance	134,549	253,743	(437,379)	(691,122)
Fund Balances - Beginning	517,794	517,794	66,379	(451,415)
Fund Balances - Ending	<u>\$ 652,343</u>	<u>\$ 771,537</u>	<u>\$ (371,000)</u>	<u>\$ (1,142,537)</u>

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

Adams County  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Port and Harbor Fund  
 For the Year Ended September 30, 2004

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 99,600	\$ 98,147	\$ 98,147	\$ -
Road and bridge privilege taxes	-	-	-	-
Licenses, commissions and other revenue	-	15	15	-
Fines and forfeitures	-	-	-	-
Special assessments	-	-	-	-
Contributions to permanent funds	-	-	-	-
Intergovernmental revenues	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	291	291	-
Miscellaneous revenues	-	(48)	1	49
<b>Total Revenues</b>	<b>99,600</b>	<b>98,405</b>	<b>98,454</b>	<b>49</b>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	170,000	321,094	329,754	(8,660)
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Education	-	-	-	-
Conservation of natural resources	-	-	-	-
Economic development and assistance	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total Expenditures</b>	<b>170,000</b>	<b>321,094</b>	<b>329,754</b>	<b>(8,660)</b>
Excess of Revenues over (under) Expenditures	(70,400)	(222,689)	(231,300)	(8,611)
<b>OTHER FINANCING SOURCES (USES)</b>				
Other financing sources	50,400	274,231	138,543	(135,688)
Other financing uses	-	(14,674)	-	14,674
<b>Total Other Financing Sources and Uses</b>	<b>50,400</b>	<b>259,557</b>	<b>138,543</b>	<b>(121,014)</b>
Net Change in Fund Balance	(20,000)	36,868	(92,757)	(129,625)
Fund Balances - Beginning	318	318	155,600	-
<b>Fund Balances - Ending</b>	<b>\$ (19,682)</b>	<b>\$ 37,186</b>	<b>\$ 62,843</b>	<b>\$ (129,625)</b>

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

Adams County  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 County-Wide Road Maintenance Fund  
 For the Year Ended September 30, 2004

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 221,093	\$ 216,427	\$ 173,543	\$ (42,884)
Road and bridge privilege taxes	628,000	659,377	659,377	-
Licenses, commissions and other revenue	-	-	-	-
Fines and forfeitures	100,000	44,952	44,952	-
Special assessments	-	-	-	-
Contributions to permanent funds	-	-	-	-
Intergovernmental revenues	882,360	1,019,197	1,019,197	-
Charges for services	-	-	-	-
Interest income	7,000	6,975	12,857	5,882
Miscellaneous revenues	-	-	-	-
Total Revenues	<u>1,838,453</u>	<u>1,946,928</u>	<u>1,909,926</u>	<u>(37,002)</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	1,936,462	1,885,311	1,920,402	(35,091)
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Education	224,691	128,829	128,829	-
Conservation of natural resources	-	-	-	-
Economic development and assistance	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issue costs	-	-	-	-
Total Expenditures	<u>2,161,153</u>	<u>2,014,140</u>	<u>2,049,231</u>	<u>(35,091)</u>
Excess of Revenues over (under) Expenditures	<u>(322,700)</u>	<u>(67,212)</u>	<u>(139,305)</u>	<u>(72,093)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other financing sources	-	300,000	561,979	261,979
Other financing uses	-	-	-	-
Total Other Financing Sources and Uses	<u>-</u>	<u>300,000</u>	<u>561,979</u>	<u>261,979</u>
Net Change in Fund Balance	(322,700)	232,788	422,674	189,886
Fund Balances - Beginning	566,628	566,628	513,899	(52,729)
Fund Balances - Ending	<u>\$ 243,928</u>	<u>\$ 799,416</u>	<u>\$ 936,573</u>	<u>\$ 137,157</u>

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

ADAMS COUNTY

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

Notes to the Required Supplementary Information

A. Budgetary Information.

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

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

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (non GAAP) basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types		
	General Fund	Port and Harbor Fund	Countywide Road Maintenance Fund
Budget (Cash Basis)	\$ (437,379)	\$ (92,757)	\$ 422,674
Increase (Decrease)			
Net adjustments for revenue accruals	8,333	1,663	5,629
Net adjustments for expenditure accruals	116,214	(1,564)	(50,333)
GAAP Basis	\$ (312,832)	\$ (92,658)	\$ 377,970

ADAMS COUNTY

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

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

All funds with an excess of expenditures over budget are not in violation of state law since the excesses resulted from auditor adjustments.

ADAMS COUNTY

SUPPLEMENTAL INFORMATION

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

Federal Grantor/ Pass-through Grantor/ <u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
<b>MAJOR FEDERAL AWARDS</b>			
U. S. Department of Health and Human Services/Passed-through the Mississippi Department of Human Services			
Temporary assistance for needy families (AOP)	93.558	111W131	\$ 157,486
Temporary assistance for needy families (Family First)	93.558	313WC21	<u>137,487</u>
Total expenditures of Major Federal Programs			<u>294,973</u>
<b>OTHER FEDERAL AWARDS</b>			
Federal Emergency Management Agency			
Assistance to Firefighters grant program	83.554	W358164N	<u>211,545</u>
U. S. Department of Justice - Office of Justice Programs/ Passed-through the Mississippi Department of Public Safety			
Juvenile accountability incentive block grant	16.523	1071PJB1011	<u>48,039</u>
Edward Byrne Memorial drug court grant	16.540	1JD1011	79,238
Mediation grant - Youth court DPSP deinstitutionalization	16.540	2DS5061	<u>12,213</u>
Total			<u>91,451</u>
Crime assistance program - D. A. victims of crime	16.575	1VA1011	<u>40,892</u>
Edward Byrne memorial state and local law enforcement assistance discretionary grants program -metro narcotics	16.579	3NM1011	<u>102,295</u>
Local law enforcement block grant	16.592	2000LBBX024	97,439
Local law enforcement block grant - vests	16.592		<u>26,324</u>
			<u>123,763</u>
Public Safety Partnership & community policing grants	16.710		<u>3,615</u>
U. S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation			
Highway planning and construction	20.205	N/A	<u>8,630</u>
Total Expenditures of Other Federal Awards			<u>630,230</u>
Total Expenditures of Federal Awards			<u>\$ 925,203</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

Note B - Loan guarantee

The balance outstanding at September 30, 2004 of federal award received in a previous year under CFDA #14.228 and expended in the form of a loan made to Mississippi River Corporation is \$406,270.

ADAMS COUNTY

SPECIAL REPORTS

# SWITZER, HOPKINS & MANGE

## Certified Public Accountants

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

JOHN M. JONES, CPA 1921 - 1983

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

Members of the Board of Supervisors  
Adams County, Mississippi

We have audited the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Adams County, Mississippi, as of and for the year ended September 30, 2004, and have issued our report thereon dated August 24, 2005. The auditors' report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units and the county did not maintain adequate internal controls to assure the existence, completeness and valuation of fines receivable as required by accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Adams County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the primary government financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Adams County, Mississippi's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 04-2 through 04-9.

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 caused by error or fraud in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 04-2, 04-3, 04-5, 04-6, 04-8 and 04-9 to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Adams County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 04-1.

Members of the Board of Supervisors  
Page 2

We also noted certain instances of noncompliance that we have reported to the management of Adams County, Mississippi, in our Limited Internal Control and Compliance Review Management Report dated August 24, 2005, included within this document.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Natchez, Mississippi  
August 24, 2005

*Seertzer Hopkins & Mangan*

# SWITZER, HOPKINS & MANGE

## Certified Public Accountants

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

Members of the Board of Supervisors  
Adams County, Mississippi

#### Compliance

We have audited the compliance of Adams County, Mississippi, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2004. Adams County, Mississippi's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Adams County, Mississippi's management. Our responsibility is to express an opinion on Adams County, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Adams County, Mississippi's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Adams County, Mississippi's compliance with those requirements.

In our opinion, Adams County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.

#### Internal Control Over Compliance

The management of Adams County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Adams County, Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Members of the Board of Supervisors  
Page 2

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Natchez, Mississippi  
August 24, 2005

*Surtzer Hopkins & Mangan*

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

Members of the Board of Supervisors  
Adams County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Adams County, Mississippi, as of and for the year ended September 30, 2004. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures, as we considered necessary in the circumstances.

The Board of Supervisors of Adams County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). The Board of Supervisors of Adams County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

In our opinion, Adams County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

The accompanying schedules of (1) purchases not made from the lowest bidder, (2) emergency purchases and (3) purchases made noncompetitively from a sole source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned study and evaluation of the purchasing system and, in our opinion, is fairly presented when considered in relation to that study and evaluation.

This report is intended for use in evaluating the central purchasing system and inventory control system of Adams County, Mississippi, and is not intended to be and should not be relied upon for any other purpose.

Natchez, Mississippi  
August 24, 2005



ADAMS COUNTY  
Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2004

Schedule 1

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

ADAMS COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2004

Schedule 2

Date	Item Purchased	Amount Paid	Vendor	Reason for Emergency Purchase
3/10/2004	Service to repair main control panel and reset fire alarm in Juvenile Justice Facility.	\$ 792.00	B & E Communications, Inc.	Fire alarm malfunctioned and could not be turned off.

ADAMS COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2004

Date	Item Purchased	Amount Paid	Vendor
09/1/2004	Installation of Direct Deposit and Electronic Reconciliation of Cancelled Check Master File Module and On-Site Training	\$ 4,000.00	Delta Computer Systems

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section 1: Summary of Auditors' Results

***Financial Statements:***

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

***Federal Awards:***

- |     |  |             |
|-----|--|-------------|
| 4.  | Type of auditors' report issued on compliance for major federal programs:  | Unqualified |
| 5.  | Internal control over major programs:  |             |
| a.  | Material weakness(es) identified?  | No          |
| b.  | Reportable condition(s) identified that are not considered to be material weaknesses?  | No          |
| 6.  | Any audit finding(s) reported as required by Section ____510(a) of Circular A-133?   | No          |
| 7.  | Federal programs identified as major programs.   |             |
| a.  | Temporary assistance for needy families, CDFA No. 93-558   |             |
| b.  | Assistance to Firefighters grant program CDFA No. 83-554   |             |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:   | \$300,000   |
| 9.  | Auditee qualified as a low-risk auditee?   | No          |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____315 (b) of OMB Circular A-133? | No          |

## Section 2: Financial Statement Findings

Board of Supervisors.

### 04-1. Finding

The county has interfund loans outstanding that are over one year old. These loans were made when the county experienced negative cash flows in various funds. However, the loans were not repaid. The Mississippi Code is silent regarding the authority of the county to make these loans.

#### Recommendation

Failure of the Board of Supervisors to ensure repayment of these loans is an illegal diversion of legally restricted funds. As mentioned in the prior year audit, the Board of Supervisors should approve and record in the board minutes the reason for the loan, when the loan will be repaid and the source of the funds for repayment. The Board of Supervisors should ensure these old loans are repaid by approving and recording in the board minutes a repayment schedule and complying with the repayment schedule.

#### Board of Supervisors' Response

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

Circuit Clerk.

### 04-2. Finding

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

The Circuit Clerk submitted an aging of accounts receivable at September 30, 2004 to the Chancery Clerk on November 17, 2004. At the date of our audit, no allowance for doubtful accounts had been submitted.

#### Recommendation

The Circuit Clerk should prepare the required reports and submit them to the Chancery Clerk in a timely manner as required by Mississippi Financial Accounting Manual.

#### Circuit Clerk's Response

The changing of the Circuit Clerk's accounting software program from one that would not generate an acceptable aging report to one that would not be completed until November 17, 2004. The allowance for doubtful accounts was omitted by mistake. The 2005 aging report and the allowance for doubtful accounts will be filed by October 31, 2005.

### 04-3. Finding

The Circuit Clerk was paid in July fees for the June, 2004 term of Circuit Court, based upon his submission of a reimbursement request. This payment was made prior to the issuance of a court order. As a result, the Circuit Clerk was paid \$3,250.00 more than the amount ultimately shown to be due on the final court order signed by the Circuit Judge.

The \$3,250.00 overpayment to the Circuit Clerk was not reimbursed to the County until after the close of the fiscal year ended September 30, 2004.

Circuit Clerk - Continued

Recommendation

As reported in the prior year audit report, a court order should be a prerequisite to the payment of court fees to Chancery and Circuit Clerks. In addition, we believe overpayments should be corrected immediately.

Circuit Clerk's Response

This amount has been reimbursed to the county. No further requests for payment will be made without a signed court order.

Auditors' Note

The Circuit Clerk reimbursed the General County for the \$3,250.00 during the fiscal year ended September 30, 2005.

04-4. Finding

We found one instance where the Circuit Clerk claimed and was paid \$1,080 more than was due him as a result of a mathematical error in his reimbursement request.

Recommendation

We believe the Circuit Clerk should carefully review his reimbursement requests before they are submitted and that accounting personnel should carefully review all claims for mathematical accuracy.

Circuit Clerk's Response

All requests for payment of fees, etc. will be carefully reviewed.

04-5. Finding

As reported in the prior year's audit report, the Circuit Clerk does not reconcile transactions in his cash journal to the aged trial balance for accounts receivable for fines, court costs and assessments on a monthly basis.

Recommendation

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

Circuit Clerk's Response

The Circuit Clerk will reconcile accounts receivable for fines to the cash journal on a monthly basis.

04-6. Finding

As reported in the prior year audit report, cash receipts as shown on deposit slips and recorded in the Circuit Clerk's cash journals were not deposited to his bank clearing accounts on a daily, or other timely basis. We noted some September 2004 deposits did not clear the bank until mid to late October 2004.

Recommendation

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

Circuit Clerk's Response

Deposits will be made on a timely basis.

Circuit Clerk - Continued

04-7. Finding

Various checks written by the Circuit Clerk to the County for repayment of fees or payment of payroll due the County were returned as not sufficient funds (NSF). The NSF checks were often not corrected by the Circuit Clerk in a timely manner. For example, check number 1188 for \$2,820.28 dated December 31, 2003 was returned as not sufficient funds and was not redeposited until February 2004.

Recommendation

Any payments due the County should be made in a timely manner.

Circuit Clerk's Response

Payments due to the county will be made in a timely manner.

04-8 Finding

The total amount owed others at September 30, 2004, for restitution, garnishments, etc. as shown by the Circuit Clerk's civil, criminal and garnishment journals was approximately \$193,746; yet, the Circuit Clerk does not maintain subsidiary ledgers showing to whom this money is owed.

Recommendation

The Circuit Clerk should maintain subsidiary ledgers that detail to whom this money is owed, and someone in the Circuit Clerk's office should review the status of each of these amounts on a monthly basis so that these liabilities can be paid in a timely fashion.

Circuit Clerk's Response

The Circuit Clerk will maintain subsidiary ledgers.

Justice Court Clerk.

04-9 Finding

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

At the date of our audit, the allowance for doubtful accounts had not been submitted to the Chancery Clerk.

Recommendation

The Justice Court Clerk should prepare the required report and submit it to the Chancery Clerk in a timely manner as required by Mississippi Financial Accounting Manual.

Justice Court Clerk's Response

Discussed with Justice Court Judges and an allowance for doubtful accounts will be prepared by September 30 in the future.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal award