

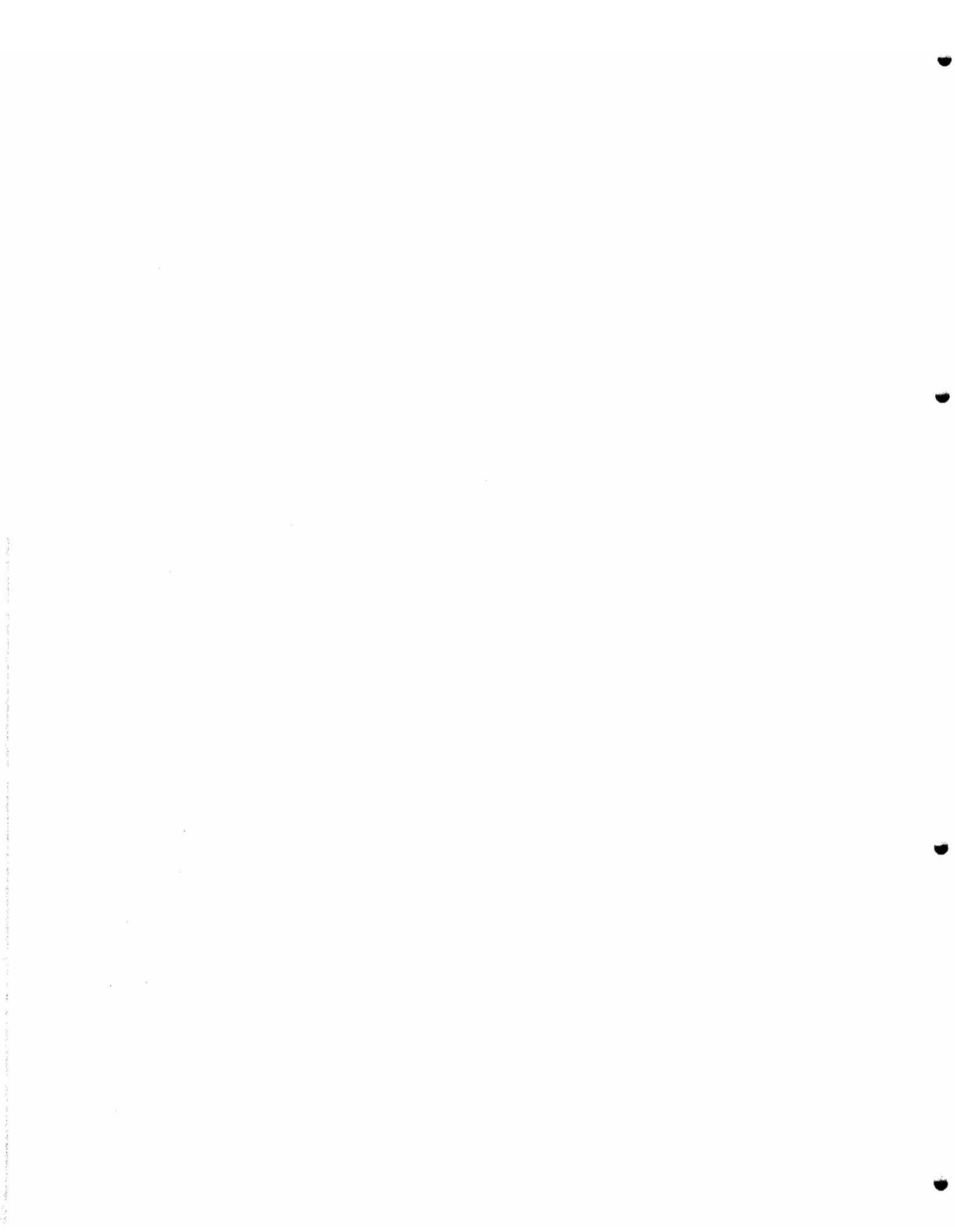


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ALCORN COUNTY, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2004

**ALCORN COUNTY, MISSISSIPPI
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SEPTEMBER 30, 2004**

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**INDEPENDENT AUDITORS' REPORT ON THE
PRIMARY GOVERNMENT FINANCIAL STATEMENTS**

Members of the Board of Supervisors
Alcorn County, Mississippi

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated July 29, 2005, on our consideration of Alcorn County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 and the Budgetary Comparison Schedule and corresponding notes on pages 31 through 34 is not a required part of the basic financial statements but is 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.

Brauer, Vansterg & Co. P.A.

July 29, 2005
Booneville, Mississippi

**ALCORN COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

The discussion and analysis of Alcorn 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. Information contained in this selection is qualified by the more detailed information contained elsewhere in this County's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the County's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

Total net assets decreased \$1,527,158 which represents 3.1% decrease from prior fiscal year.

General revenues account for \$8,167,742 in revenue, or 64.66% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,464,416 or 35.34% of total revenues.

The County had \$14,215,961 in expenses; only \$4,464,416 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$8,167,742 further reduced the cost of these programs to \$1,583,803.

Among major funds, the General Fund had \$4,854,572 in revenues and \$5,109,599 in expenditures. The General Fund's fund balance increased \$350,313 under the prior year.

Capital assets, net of accumulated depreciation, decrease by \$2,689,270.

Long-term debt decreased by \$593,938.

OVERVIEW OF 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 financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The statement of net assets presents information on all the County's 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 the County's 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 only result in cash flows in future fiscal years.

**ALCORN COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

The government-wide financial statements outline functions of the County that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the County include General Government, Public Safety, Public Works, Health and Welfare, Culture and Recreation, Conservation of Natural Resources, Economic Development and Assistance and Interest on long-term liabilities.

The government-wide financial statements can be found on pages 9 - 10 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 compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

Governmental 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 fund financial statements focus on current 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 the County's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the County's operations.

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 County's current financing decisions. Both the governmental fund balance sheet and the governmental fund 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 12 and 14, 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 fund balance sheet and in the governmental fund 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 fund financial statements can be found on pages 11 and 13 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because 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 purpose. The County's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 15.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-30 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain 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 31-34 of this report.

**ALCORN COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

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 the County, assets exceeded liabilities by \$47,200,807 as of September 30, 2004.

By far the largest portion of the County's net assets, 95.2% reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, leased property under capital leases and construction in progress), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending.

The County's financial position is a product of several financial transactions including the net result 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, as compared to September 30, 2003.

	<u>September 30, 2004</u>	<u>September 30, 2003</u>
Current assets	\$ 8,793,362	\$ 8,624,249
Capital assets, net	50,568,775	53,258,045
Total assets	<u>59,362,137</u>	<u>61,882,294</u>
Current liabilities	5,782,646	6,181,707
Long-term debt outstanding	6,378,684	6,972,622
Total liabilities	<u>12,161,330</u>	<u>13,154,329</u>
Net assets		
Invested in capital assets, net of related debt	44,940,091	47,398,031
Restricted	1,800,833	1,786,295
Unrestricted	459,883	(456,361)
Total net assets	<u>\$ 47,200,807</u>	<u>\$ 48,727,965</u>

**ALCORN COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

Changes in net assets. The County's total revenues for the fiscal year ended September 30, 2004 were \$12,632,158. The total cost of all programs and services was \$14,215,961. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2004, as compared to September 30, 2003.

	<u>September 30, 2004</u>	<u>September 30, 2003</u>
Revenues:		
Program revenues	\$ 4,464,416	\$ 3,713,219
General revenues	8,167,742	7,588,983
Total revenues	<u>12,632,158</u>	<u>11,302,202</u>
Expenses:		
General Government	2,843,350	3,128,745
Public Safety	1,896,782	1,896,945
Public Works	7,805,253	7,350,011
Health and Welfare	412,481	437,600
Culture and Recreation	583,775	624,271
Conservation of natural resources	106,283	111,428
Economic development and assistance	288,972	341,271
Interest on long-term liabilities	279,065	308,804
Total expenses	<u>14,215,961</u>	<u>14,199,075</u>
Decrease in net assets	<u>\$ (1,583,803)</u>	<u>\$ (2,896,873)</u>

Governmental activities. The following table presents the cost of major County functional activities. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and County's taxpayers by each of these functions.

	<u>Total Expenses</u>	<u>Net (Expense) Revenue</u>
General Government	\$ 2,843,350	\$ (2,084,792)
Public safety	1,896,782	(958,419)
Public works	7,805,253	(5,104,470)
Health and welfare	412,481	(345,769)
Culture and recreation	583,775	(583,775)
Conservation of natural resources	106,283	(106,283)
Economic development and assistance	288,972	(288,972)
Interest on long-term liabilities	279,065	(279,065)
Total expenses	<u>\$ 14,215,961</u>	<u>\$ (9,751,545)</u>

Net cost of governmental activities \$9,751,545, was financed by general revenue, which is made up of primarily property taxes and state revenue \$6,683,075, road and privilege tax \$402,201 and grants and contribution not restricted to specific program \$956,705, unrestricted investment income \$84,865 and miscellaneous revenue \$40,896.

Investment earnings accounted for \$84,865 of funding.

**ALCORN COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's governmental funds is to provide information on current inflows, outflow and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

The financial performance of the County as a whole is reflected in its governmental funds. As the County completed the year, its governmental funds reported a combined fund balance of \$2,248,979, an increase of \$335,537 due primarily to increased property taxes.

The General Fund is the principal operating fund of the County. The increase in fund balance in the General Fund for the fiscal year was \$350,313. The fund balance of Other Governmental Funds showed an increase of \$61,511 due primarily to increased tax and state revenue. The garbage and solid waste fund had a decrease in fund balance for the fiscal year of \$76,287 because of cost of operations.

BUDGETARY HIGHLIGHTS

Over the course of the year, the County revised the annual operating budget.

The general fund was amended once at the end of the fiscal year for an increase in expenditures of \$284,992. The Garbage and Solid Waste Fund was amended also at the end of the fiscal year for an increase of \$204,691 for expenses incurred for cost of operations.

There was a significant increase in the amount of solid waste disposal at our Transfer Station Facility. This increase resulted in higher disposal cost, fuel and wages for this fiscal year.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of September 30, 2004, the County's total capital assets were \$113,886,115, including land, buildings, infrastructure, mobile equipment, furniture and equipment, and leased property under capital leases. Total accumulated depreciation as of September 30, 2004 was \$63,317,340, resulting in total net capital assets of \$50,568,775.

Additional information of the County's capital assets can be found in Note 6 on pages 23- 24 of this report.

Debt Administration. At September 30, 2004, the County had \$6,378,684 in general obligation bonds and other long-term debt outstanding, of which \$1,343,970 is due within one year.

Additional information of the County's long-term debt can be found in Note 8 on pages 25-26 of this report.

**ALCORN COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

CURRENT ISSUES

The County has been notified that we will receive an \$80,000 grant for additional work to be done at the courthouse. This is in addition to other grants totaling \$260,000. All of these grants were matched with 20% local funds.

Alcorn County was the recipient of a \$7,500,000 CDBG grant to construct a new 4½ mile road. We are in the process of buying right of way and easements and hopefully this project will be put out for bid this summer.

The work has been completed on the renovations of the Corinth Depot. Final inspection will be completed on January 30, 2006. This was a \$750,000 grant with no matching money.

The Board is presently working with Kingsford Charcoal in locating a new plant in Alcorn County.

The Alcorn County Board of Supervisors has committed itself to financial excellence for many years. They have been very diligent in their efforts to stay within their financial means. Alcorn County plans to continue its commitment to sound financial management through planning, budgeting, and internal financial controls to meet the challenges of the future.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Chancery Clerk's Office of Alcorn County.

**ALCORN COUNTY, MISSISSIPPI
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2004**

Exhibit 1

	<u>Primary Government Governmental Activities</u>
ASSETS	
Cash	\$ 2,981,277
Property tax receivable	4,208,639
Fines receivable, net	650,708
Intergovernmental receivables	602,192
Other receivables, net	156,461
Prepaid items	194,085
Capital Assets, net	50,568,775
Total Assets	<u>59,362,137</u>
LIABILITIES	
Claims payable	1,202,146
Intergovernmental payables	288,806
Accrued interest payable	83,055
Deferred revenue	4,208,639
Long Term Liabilities	
Due within one year:	
Capital related debt	843,970
Non-capital debt	500,000
Due in more than one year:	
Capital related debt	4,784,714
Non-capital debt	250,000
Total Liabilities	<u>12,161,330</u>
NET ASSETS	
Invested in capital assets, net of related debt	44,940,091
Restricted Net Assets	
Expendable:	
General government	16,099
Debt service	411,174
Public safety	324,144
Public works	1,039,489
Culture and recreation	4,323
Economic development	5,604
Unrestricted	459,883
Total Net Assets	<u>\$ 47,200,807</u>

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

ALCORN COUNTY, MISSISSIPPI
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

Functions/Programs	Expenses	Program Revenues			Total	Net (Expense) Revenue and Changes in Net Assets Primary Government Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Primary government:						
Governmental activities:						
General government	\$ 2,843,350	758,558	-	-	(2,084,792)	
Public safety	1,896,782	484,361	454,002	-	(958,419)	
Public works	7,805,253	1,383,503	1,113,429	203,851	(5,104,470)	
Health and welfare	412,481	-	66,712	-	(345,769)	
Culture and recreation	583,775	-	-	-	(583,775)	
Conservation of natural resources	106,283	-	-	-	(106,283)	
Economic development and assistance	288,972	-	-	-	(288,972)	
Interest on long-term liabilities	279,065	-	-	-	(279,065)	
Total Governmental Activities	\$ 14,215,961	2,626,422	1,634,143	203,851	(9,751,545)	

General Revenues:

Taxes:

Property Taxes	\$ 6,683,075
Road and bridge privilege taxes	402,201
Grants and contributions not restricted to specific programs	956,705
Unrestricted investment income	84,865
Miscellaneous	40,896

Total General Revenues 8,167,742

Change in Net Assets (1,583,803)

Net Assets-Beginning 48,727,965

Prior Period Adjustments (Note 2) 56,645

Net Assets - Beginning restated 48,784,610

Net Assets-Ending 47,200,807

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

ALCORN COUNTY, MISSISSIPPI
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2004

Exhibit 3

	General Fund	Garbage and Solid Waste	Other Governmental Funds	Total (Memorandum Only)
ASSETS				
Cash	\$ 753,731	98,648	2,128,898	2,981,277
Property tax receivable	2,155,120	311,235	1,742,284	4,208,639
Fines receivable	650,708	-	-	650,708
Intergovernmental receivables	418,032	-	184,160	602,192
Other receivables	5,602	118,016	32,843	156,461
Due from other funds	12,188	11,224	299,312	322,724
Total Assets	\$ 3,995,381	539,123	4,387,497	8,922,001
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 216,408	361,340	624,397	1,202,145
Intergovernment payable	286,893	-	-	286,893
Due to other funds	310,536	12,535	1,566	324,637
Deferred revenue	2,805,828	311,235	1,742,284	4,859,347
Total Liabilities	3,619,665	685,110	2,368,247	6,673,022
Fund Balances:				
Unreserved:				
General funds	375,716	-	-	375,716
Special revenue funds	-	(145,987)	1,535,646	1,389,659
Debt service funds	-	-	488,900	488,900
Capital project funds	-	-	(5,296)	(5,296)
Total fund balances	375,716	(145,987)	2,019,250	2,248,979
Total Liabilities and Fund Balances	\$ 3,995,381	539,123	4,387,497	8,922,001

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

ALCORN COUNTY, MISSISSIPPI
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2004

Exhibit 3-1

	<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$ 2,248,979
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 10-1-03	53,258,045
Plus capital outlay expenditures made during the year	920,250
Less depreciation expense recorded during the year	(3,606,046)
Less assets disposed during the year (net)	(3,475)
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Fines receivable	650,708
Expenditures for insurance paid in the current period but has coverage beyond the current period	194,085
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Long-term liabilities	(6,378,684)
Accrued interest on bonds	(83,055)
Total net assets - governmental activities (Exhibit 1)	<u>\$ 47,200,807</u>

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

**ALCORN COUNTY, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	General Fund	Garbage and Solid Waste	Other Governmental Funds	Total (Memorandum Only)
REVENUES				
Property taxes	\$ 3,026,474	457,519	3,199,082	6,683,075
Road and bridge privilege taxes	-	-	402,201	402,201
Licenses, commissions and other revenue	293,734	-	9,598	303,332
Fines and forfeitures	331,789	-	5,969	337,758
Intergovernmental revenues	1,023,418	-	1,810,055	2,833,473
Charges for services	129,669	1,383,503	287,542	1,800,714
Interest income	33,340	3,117	48,408	84,865
Miscellaneous	16,148	3,258	9,500	28,906
Total Revenues	<u>4,854,572</u>	<u>1,847,397</u>	<u>5,772,355</u>	<u>12,474,324</u>
EXPENDITURES				
Current:				
General government	2,562,485	-	276,711	2,839,196
Public safety	1,112,600	-	768,366	1,880,966
Public works	89,044	1,973,392	3,110,182	5,172,618
Health and welfare	349,368	-	-	349,368
Culture and recreation	225,225	-	209,049	434,274
Conservation of natural resources	106,283	-	-	106,283
Economic development and assistance	17,100	-	461,533	478,633
Principal	643,975	25,689	1,594,299	2,263,963
Interest	3,519	1,103	293,132	297,754
Total Expenditures	<u>5,109,599</u>	<u>2,000,184</u>	<u>6,713,272</u>	<u>13,823,055</u>
Excess (deficiency) of Revenues over (under) expenditures	<u>(255,027)</u>	<u>(152,787)</u>	<u>(940,917)</u>	<u>(1,348,731)</u>
OTHER FINANCING SOURCES (USES)				
Long term capital debt issued	-	76,000	996,278	1,072,278
Long term non-capital debt issued	600,000	-	-	600,000
Proceeds from sale of capital assets	1,490	500	10,000	11,990
Transfers in	4,090	-	240	4,330
Transfers out	(240)	-	(4,090)	(4,330)
Total other financing sources and uses	<u>605,340</u>	<u>76,500</u>	<u>1,002,428</u>	<u>1,684,268</u>
Net change in fund balance	<u>350,313</u>	<u>(76,287)</u>	<u>61,511</u>	<u>335,537</u>
Fund Balances - Beginning	<u>25,403</u>	<u>(69,700)</u>	<u>1,957,739</u>	<u>1,913,442</u>
Fund Balances - Ending	<u>\$ 375,716</u>	<u>(145,987)</u>	<u>2,019,250</u>	<u>2,248,979</u>

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

ALCORN COUNTY, MISSISSIPPI

Exhibit 4-1

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

Net changes in fund balances - total governmental funds (Exhibit 4) \$ 335,537

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 \$3,606,046 exceeded capital outlays \$920,250 in the current period. (2,685,796)

Fine revenue recognized on the modified accrual basis in the fund during the current year is increased because prior year recognition would have been required on the statement of activities using the full-accrual basis of accounting. 145,845

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 repayments \$2,263,963 exceeds debt proceeds \$1,672,278. 591,685

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:

Prepaid insurance 13,712

An adjustment to write off the book value of equipment sold (3,475)

Adjustment for difference in accrued interest 18,689

Change in net assets of governmental activities (Exhibit 2) \$ (1,583,803)

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

**ALCORN COUNTY, MISSISSIPPI
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
SEPTEMBER 30, 2004**

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 64,973
Due from other funds	<u>12,535</u>
Total Assets	<u>77,508</u>
LIABILITIES	
Claims payable	46,883
Intergovernmental payables	20,003
Due to other funds	<u>10,622</u>
Total Liabilities	<u>\$ 77,508</u>

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

**ALCORN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

1. Significant Accounting Policies

A. Financial Reporting Entity

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

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

- Alcorn County Human Resource Agency

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

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

B. Basis of Presentation

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

Government-wide Financial Statements:

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

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

**ALCORN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

1. Significant Accounting Policies - continued

B. Basis of Presentation - continued

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting

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

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

The county reports the following major governmental funds:

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

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

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

**ALCORN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

1. Significant Accounting Policies - continued

C. Measurement Focus and Basis of Accounting - continued

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

FIDUCIARY FUND TYPES

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

D. Account Classifications

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

E. Deposits and Investments

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

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

F. Receivables

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

G. Interfund Transactions and Balances

Transactions between funds that are representative of short-term lending/borrowing arrangements, and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds."

Payables between funds within governmental activities are eliminated in the Statement of Net Assets.

H. Inventories and Prepaid Items

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

**ALCORN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

1. Significant Accounting Policies - continued

I. Capital Assets

Capital acquisition and construction are reflected as expenditures in governmental fund statements and the related assets are reported as capital assets in the applicable governmental column in the government-wide financial statement. All purchased capital assets are stated at cost where records are available and at an estimated historical cost where no historical records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The 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.

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. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds.

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

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

J. Long-term liabilities

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

**ALCORN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

1. Significant Accounting Policies – continued

J. Long-term liabilities

In the government-wide financial statements types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net assets.

K. Equity Classifications

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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

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

L. Property Tax Revenues

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

**ALCORN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

1. Significant Accounting Policies - continued

L. Property Tax Revenues - continued

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

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

M. Intergovernmental Revenues in Governmental Funds

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

2. Prior Period Adjustment

Prior period adjustments were made to adjust for:

Prepaid Insurance	\$ 54,392
Correction of Long-Term Debt	<u>2,253</u>
	<u>\$56,645</u>

3. Deposits

The carrying amount of the county's total deposits with financial institutions at September 30, 2004, was \$3,046,250, and the bank balance was \$3,218,560. 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.

**ALCORN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

4. Interfund Transfers and Balances

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

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	
Major Funds:			
General Fund	Fiduciary Fund	\$ 10,622	Temporary Loan
General Fund	Other Governmental	1,566	Temporary Loan
Garbage and Landfill Fund	General Fund	<u>11,224</u>	Unsettled Taxes
Total Major Funds		23,412	
Nonmajor Governmental Funds			
Other Governmental	General Fund	299,312	Temporary Loan
Fiduciary Funds	Garbage and Landfill Fund	<u>12,535</u>	Temporary Loan
		<u>311,847</u>	
Total All Fund Types		<u>\$ 335,259</u>	

B. Transfers In/Out

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Funds		
General Fund	\$ 4,090	\$ 240
Non Major Governmental Funds		
	<u>240</u>	<u>4,090</u>
Total	<u>\$ 4,330</u>	<u>\$ 4,330</u>
Operating Transfers		

5. Intergovernmental Receivables

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

Governmental Activities:

<u>Description</u>	<u>Amount</u>
State Tax Commission TVA in Lieu	\$ 175,693
Legislature Tax Credit	156,737
Due From State	184,160
Other	<u>85,602</u>
Total Governmental Activities	<u>\$ 602,192</u>

**ALCORN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

6. Capital Assets

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

Governmental activities:

	Balance Oct. 1, 2003	Additions	Deletions	Adjustments	Balance Sept. 30, 2004
<u>Non-depreciable capital assets:</u>					
Land	\$ 703,783	-	-	-	703,783
Construction in progress	218,913	189,661	-	(218,913)	189,661
Total non-depreciable capital assets	922,696	189,661	-	(218,913)	893,444
<u>Depreciable capital assets:</u>					
Infrastructure	96,172,102	343,257	-	-	96,515,359
Buildings	12,292,366	-	-	-	12,292,366
Improvements other than buildings	29,665	-	-	218,913	248,578
Mobile equipment	2,220,368	43,976	(35,547)	174,516	2,403,313
Furniture and equipment	504,617	51,502	-	8,341	564,460
Lease property under capital leases	1,037,074	291,854	-	(360,333)	968,595
Total depreciable capital assets	112,256,192	730,589	(35,547)	41,437	112,992,671
<u>Less accumulated depreciation for:</u>					
Infrastructure	54,672,641	3,004,117	-	-	57,676,758
Buildings	2,780,013	242,330	-	-	3,022,343
Improvements other than buildings	3,561	9,944	-	-	13,505
Mobile equipment	1,511,385	215,820	(31,992)	70,425	1,765,638
Furniture and equipment	449,114	22,219	-	8,260	479,593
Leased property under capital leases	504,129	111,616	-	(256,242)	359,503
Total accumulated depreciation	59,920,843	3,606,046	(31,992)	(177,557)	63,317,340
Total depreciable capital assets, net	52,335,349	(2,875,457)	(3,555)	218,994	49,675,331
Governmental activities capital assets, net	\$ 53,258,045	(2,685,796)	(3,555)	81	50,568,775

Adjustments consist of \$218,913 of completed construction transferred to buildings. \$329,366 of leased equipment net of accumulated depreciation, whose lease payments were complete, therefore the equipment was reclassified to mobile equipment. Equipment totaling \$177,476 was removed because it had been on asset schedules in error, with accumulated depreciation of \$177,557, for a net adjustment of \$81.

**ALCORN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

6. Capital Assets - continued

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 17,866
Public safety	82,746
Public works	3,292,820
Health and welfare	63,113
Culture and recreation	149,501
 Total governmental activities depreciation expense	 \$ 3,606,046

7. Capital Leases

As Lessee:

The Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2004:

<u>Class of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 837,675
Other furniture and equipment	130,920
Total	968,595
Less: Accumulated depreciation	(359,503)
Leased Property Under Capital Leases	\$ 609,092

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

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 198,103	15,047
2006	144,454	8,950
2007	100,727	4,575
2008	50,157	2,047
2009	11,986	1,136
After 2009	25,291	951
 Total	 \$ 530,718	 32,706

**ALCORN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

8. 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:			
Airport improvements	\$ 195,000	6.2% -6.6%	07-06
Juvenile detention center	70,000	4.9%-5.1%	03-06
Convention center	4,390,000	4.75 %-6.25%	11-17
Total General Obligation Bonds	<u>\$ 4,655,000</u>		
B. Capital Leases:			
1996 Komatsu excavator	12,173	5.000%	01-06
IBM computer - tax office	35,630	4.960%	01-06
2001 Chevrolet Suburban - coroner	13,453	4.960%	03-06
Tractor, mower, cutter and loader	18,378	4.860%	04-06
Massey Ferguson tractor	6,895	4.790%	07-05
Massey Ferguson tractor	7,646	4.500%	09-05
2002 Chevrolet truck	6,251	4.090%	04-06
Land Pride mower	2,337	3.920%	07-05
2003 Dodge pickup	9,828	3.470%	09-06
1999 truck	11,327	2.800%	09-07
1996 Mack truck and dump trailer	24,866	3.200%	02-08
1995 dump truck	22,648	2.600%	07-07
1996 Caterpillar backhoe	24,709	2.880%	04-07
Land Pride mower	2,359	2.700%	03-05
1998 Case backhoe	23,031	2.760%	04-07
1995 Freightliner truck	6,315	3.150%	12-05
2 2003 Crown Victoria auto's	27,375	2.760%	04-07
2 1999 International Trucks	40,547	2.935%	03-08
1994 Freightliner Dump Truck	13,968	2.940%	04-08
1995 Mack Truck	23,884	2.980%	04-08
Komatsu Loader WA180	24,425	3.360%	05-08
1998 International Dump Truck	30,597	3.440%	06-08
2004 JD 6415 Tractor	9,643	3.240%	06-07
Alamo Mower & Ditcher	21,850	3.470%	06-08
Backhoe	29,415	3.380%	08-08
2004 Komatsu 530A Motorgrader	81,168	3.570%	09-11
Total Capital Leases	<u>\$ 530,718</u>		
C. Other Loans:			
Jacinto Fire Dept Pumper	\$ 12,542	3.000%	10/1/2006
Road Construction & Repair	250,000	2.240%	5/28/2005
Crossroads Arena Floor Note	150,000	2.090%	9/12/2005
Road Construction & Repair	500,000	2.490%	6/23/2006
Courthouse Rennovations	280,424	2.090%	4/6/2006
Total Other Loans	<u>\$ 1,192,966</u>		

ALCORN COUNTY, MISSISSIPPI
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

8. Long-Term Debt -- continued

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

Year Ending September 30,	General Obligation Bonds	
	Principal	Interest
2005	\$ 350,000	220,494
2006	365,000	202,708
2007	245,000	184,794
2008	255,000	173,666
2009	270,000	161,719
2010-2014	1,575,000	597,251
2015-2018	1,595,000	164,875
Total	\$ 4,655,000	1,705,507

Year Ending September 30,	Other Loans	
	Principal	Interest
2005	\$ 795,867	27,338
2006	397,099	9,259
Total	\$ 1,192,966	\$ 36,597

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 3.61% of the latest property assessment.

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	Adjustments	Balance Sept. 30, 2004	Amount due within one year
Governmental Activities:						
General obligations bonds	\$ 5,090,000	-	435,000	-	4,655,000	350,000
Capital leases	451,477	291,854	210,360	(2,253)	530,718	198,103
Other loans	1,431,145	1,380,424	1,618,603	-	1,192,966	795,867
Total	\$ 6,972,622	1,672,278	2,263,963	(2,253)	6,378,684	1,343,970

**ALCORN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

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

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

	Balance at Sept. 30, 2004	Alcorn County Share
Hospital revenue refunding bonds 1998	\$ 13,255,000	7,290,250
Hospital revenue refunding bonds 1995	9,445,000	5,194,750
Total	\$ 22,700,000	12,485,000

10. Contingencies

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

Litigation – The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate 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.

11. Deficit Fund Balance

The following funds had a deficit balance at September 30, 2004:

Major Fund	
Garbage and Landfill Fund	\$ 145,987
Other Governmental:	
Great Grant	688
COPS Grant	1,765
COPS School Grant	1,854
Youth Court Grant	2,002
State Seized Money	123
State Aid Road Fund	28,311
Courthouse Renovations	17,764
	\$ 52,507

**ALCORN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

12. Jointly Governed Organizations

The Regional IV Health-Mental Retardation Commission operates in a district composed of the Counties of Alcorn, Prentiss, Tippah and Tishomingo. The Alcorn County Board of Supervisors appoints one of the four members of the board of commissioners. The county appropriated \$43,916 for the maintenance and support of the commission in the fiscal year 2004.

Northeast Mississippi Planning and Development District operates in a district composed of the Counties of Alcorn, Benton, Marshall, Prentiss, Tippah and Tishomingo. The Alcorn County Board of Supervisors appoints four of the 24 members of the board of directors. The county appropriated \$17,100 for support of the district in fiscal year 2004.

The Northeast Mississippi Community College operates in a district composed of the Counties of Alcorn, Prentiss, Tippah, Tishomingo and Union. The Alcorn County Board of Supervisors appoints two of the 15 members of the college board of trustees. The county levied \$580,476 in taxes for maintenance and support of the college in fiscal year 2004.

13. Joint Ventures

The county participates in the following joint ventures:

Alcorn County is a participant with the Counties of Prentiss, Tippah and Tishomingo in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate Northeast Regional Library. The joint venture was created to provide a regional public library for the area, and is governed by a four-member board appointed by the four Boards of Supervisors. By contractual agreement, the county's appropriation from the General Fund this year to the joint venture amounted to \$114,485. Complete financial statements for the Northeast Regional Library can be obtained from Northeast Regional Library, 1023 North Fillmore Street, Corinth, Mississippi 38834.

Alcorn County is a participant with the City of Corinth in a joint venture, authorized by HB #1183, 1972 Session, to operate the Corinth-Alcorn Area Chamber of Commerce, The Alliance. The joint venture was created to foster, encourage and facilitate economic development in the county. The Alcorn County Board of Supervisors appoints four of the 32 members of the board of directors. The county appropriated \$271,782 for the operation of the entity during the 2004 fiscal year. Complete financial statements for the Corinth-Alcorn Area Chamber of Commerce can be obtained from The Alliance, 810 Tate Street, Corinth, Mississippi 38834.

Alcorn County is a participant with the City of Corinth in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the Corinth-Alcorn County Airport. The joint venture was created to provide an airport for the area, and is governed by a five-member board of commissioners appointed as follows: Alcorn County, two; City of Corinth, two; jointly, one. Alcorn County provided \$89,044 for the operation of the entity during the 2004 fiscal year. Complete financial statements for the Corinth-Alcorn County Airport can be obtained from Corinth-Alcorn County Airport, Route 1, Box 91, Corinth, Mississippi 38834.

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

**ALCORN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

Alcorn County is a participant with the City of Corinth in a joint venture, authorized by Section 41-13-15, Miss. Code Ann. (1972), to operate Magnolia Hospital. The joint venture was created to provide a community hospital for the area and is governed by a five-member board of trustees; two appointed by the county Board of Supervisors, two appointed by the city and one jointly appointed. Alcorn County provided \$4,750 for the 2004 fiscal year. Complete financial statements for the Magnolia Hospital can be obtained from Magnolia Hospital, 611 Alcorn Drive, Corinth, Mississippi 38834.

Alcorn County is a participant with the City of Corinth in a joint venture, authorized by Section 55-9-1, Miss. Code Ann. (1972), to operate the Corinth-Alcorn County Recreational Commission. The joint venture was created to provide recreational opportunities for the area, and is governed by a five-member board. Each entity appoints two of the five board members and the fifth is jointly appointed. Alcorn County provided \$209,049 for the 2004 fiscal year. Complete financial statements for the Corinth-Alcorn Recreation Commission can be obtained from Corinth-Alcorn Recreation Commission, P.O. Box 699, Corinth, Mississippi 38835.

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

14. **Defined Benefit Pension Plan**

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

Funding Policy - PERS members are required to contribute 7.25% of their annual covered salary and the county is required to contribute at an actuarially determined rate. The current rate is 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 \$296,585, \$297,322, and \$286,415, respectively, equal to the required contributions for each year

**ALCORN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

16. Subsequent Events:

Subsequent to September 30, 2004, Alcorn County issued the following debt obligations:

<u>DATE</u>	<u>PURPOSE</u>	<u>AMOUNT</u>
12/6/2004	Tax Anticipation Loan	\$ 400,000
12/6/2004	Lease/Purchase Chancery Clerk Management Software	56,572
12/15/2004	1994 Mack Truck & Refinance of Truck Traded	36,233
1/19/2005	Lease/Purchases 2 Sheriff's Cars	39,832
1/19/2005	Lease/Purchase Ford F350 Truck	22,591
3/24/2005	Lease/Purchase John Deere Tractor & Bush Hog	37,593
5/12/2005	County Wide Road Note	500,000
12/29/2005	General Obligation Refunding Bonds	3,615,000

**ALCORN COUNTY, MISSISSIPPI
 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)
REVENUES				
Property taxes	\$ 2,851,250	3,013,490	3,013,490	-
Licenses, commissions and other revenue	277,802	285,768	285,768	-
Fines and forfeitures	221,241	323,788	323,788	-
Intergovernmental revenues	966,844	1,018,785	1,010,232	(8,553)
Charges for services	142,022	113,581	113,581	-
Interest income	33,925	33,591	33,591	-
Miscellaneous revenues	20,728	34,129	34,129	-
Total Revenues	4,513,812	4,823,132	4,814,579	(8,553)
EXPENDITURES				
Current:				
General government	2,452,314	2,741,056	2,741,056	-
Public safety	1,076,455	1,120,029	1,128,581	(8,552)
Public works	89,044	89,044	89,044	-
Health and welfare	358,188	350,896	350,896	-
Culture and recreation	265,250	225,225	225,225	-
Conservation of natural resources	106,400	106,393	106,393	-
Economic development and assistance	17,100	17,100	17,100	-
Principal & interest			601,727	(601,727)
Total Expenditures	4,364,751	4,649,743	5,260,022	(610,279)
Excess (deficiency) of Revenues over (under) expenditures	149,061	173,389	(445,443)	(618,832)
OTHER FINANCING SOURCES (USES)				
Proceeds of Non Capital Debt			600,000	600,000
Compensation for Loss of Capital Assets	-	-	1,490	1,490
Transfers in	-	195,135	193,645	(1,490)
Transfers out	(107,422)	-	(190,055)	(190,055)
Total other financing sources and uses	(107,422)	195,135	605,080	409,945
Net change in fund balance	41,639	368,524	159,637	(208,887)
Fund Balances - Beginning		578,582	587,184	8,602
Fund Balances - Ending	\$ 41,639	947,106	746,821	(200,285)

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

**ALCORN COUNTY, MISSISSIPPI
 BUDGETARY COMPARISON SCHEDULE -
 BUDGET AND ACTUAL (NON-GAAP BASIS)
 GARBAGE AND SOLID WASTE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 428,904	457,351	457,351	-
Charges for services	1,230,921	1,385,380	1,385,380	-
Interest income	5,058	3,117	3,117	-
Miscellaneous revenues	104	3,726	3,726	-
Total Revenues	1,664,987	1,849,574	1,849,574	-
EXPENDITURES				
Current:				
Public works	1,708,091	1,906,187	1,906,187	-
Debt service:				
Principal	19,652	26,792	25,717	1,075
Interest	545	-	1,075	(1,075)
Total Expenditures	1,728,288	1,932,979	1,932,979	-
Excess (deficiency) of Revenues over (under) expenditures	(63,301)	(83,405)	(83,405)	-
Net change in fund balance	63,301	(83,405)	(83,405)	-
Fund Balances - Beginning	63,301	98,647	98,647	-
Fund Balances - Ending	\$ -	15,242	15,242	-

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

ALCORN COUNTY, MISSISSIPPI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 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 investments balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

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

B. Basis of Presentation

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

C. Budget/GAAP Reconciliation

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

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

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

ALCORN COUNTY, MISSISSIPPI
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

Budget/GAAP Reconciliation - continued

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

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>Garbage and Solid Waste Fund</u>
Budget (Cash Basis)	\$ 159,637	(83,405)
Increase (Decrease)		
Net adjustments for revenue accruals	39,993	(2,177)
Net adjustments for expenditures accruals	150,423	(67,205)
Net adjustment for other financing sources (uses)	260	76,500
GAAP Basis	<u>\$ 350,313</u>	<u>\$ (76,287)</u>

D. Excess of actual expenditures over budget in individual funds.

The following funds had an excess of actual expenditures over budget for the year ended September 30, 2004:

Fund	Excess
General fund	\$ 610,279

The funds listed above are in violation of Section 9-11-17, miss. code ann. (1972). However, the county has no liability associated with these violations.



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

Members of the Board of Supervisors
Alcorn County, Mississippi

We have audited the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Alcorn County, Mississippi, as of and for the year ended September 30, 2004, and have issued our report thereon dated July 29, 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. Except for the limitation referred to above, 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 Alcorn 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 Alcorn County, Mississippi's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2004-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Alcorn County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Governmental Auditing Standards*.

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

Brauner, Vanstony & Co. P.A.

July 29, 2005
Booneville, Mississippi



Certified Public Accountants

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

Members of the Board of Supervisors
Alcorn County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Alcorn County, Mississippi, as of and for the year ended September 30, 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 Alcorn County, Mississippi, is responsible for establishing and maintaining a central purchasing system and an inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). The Board of Supervisors of Alcorn County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

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

The 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 37-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned study and evaluation of the purchasing system and, in our opinion, is fairly presented when considered in relation to that study and evaluation.

This report is intended for use in evaluating the central purchasing system and inventory control system of Alcorn County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Brawner, Vanstory & Co. P.A.

July 29 2005
Booneville, Mississippi

ALCORN COUNTY, MISSISSIPPI
SCHEDULE OF PURCHASES NOT MADE
FROM THE LOWEST BIDDER
FOR THE YEAR ENDED SEPTEMBER 30, 2004

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

ALCORN COUNTY, MISSISSIPPI
SCHEDULE OF EMERGENCY PURCHASES
FOR THE YEAR ENDED SEPTEMBER 30, 2004

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
3/1/2004	Bridge Repair	\$ 7,125	Buddy Ayers	Bridge Washout

ALCORN COUNTY, MISSISSIPPI
SCHEDULE OF PURCHASES MADE NONCOMPETITIVELY
FROM A SOLE SOURCE
YEAR ENDED SEPTEMBER 30, 2004

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
6/21/2004	Surveillance System	\$ 7,045	Law Enforcement Associates

ALCORN COUNTY, MISSISSIPPI
SCHEDULE OF FINDINGS
YEAR ENDED SEPTEMBER 30, 2004

Section 1: Summary of Auditor's Results

Financial Statements:

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

Chancery Clerk

2004-1 Finding

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

Recommendation

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

- a. Current election forms for insurance and cafeteria plans should be placed in the personnel files.
- b. A copy of the order approving the pay rate or a book and page reference to the pay rate being approved should be noted in the personnel files.
- c. Payroll checks are being distributed early and checks are clearing the payroll bank account before the date of the check.

Chancery Clerk's Response

- a. Will be corrected.
- b. Will be corrected.
- c. I have discussed this with the Audit Department on more than one occasion and I am not sure what the answer to the problem is.



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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Alcorn County, Mississippi

In planning and performing our audit of the financial statements of Alcorn County, Mississippi for the year ended September 30, 2004, we considered Alcorn County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Alcorn County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated July 29, 2005, on the financial statements of Alcorn County, Mississippi.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than this party. However, this report is a matter of public record and its distribution is not limited.

Brawner, Vanstory & Co. P.A.

July 29, 2005
Booneville, Mississippi