



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

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**PERRY COUNTY, MISSISSIPPI**

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

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PERRY COUNTY

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PERRY COUNTY

FINANCIAL SECTION

PERRY COUNTY

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# State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

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

Members of the Board of Supervisors  
Perry County, Mississippi

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

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

The financial statements referred to above include only the primary government of Perry County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Perry County, Mississippi, as of September 30, 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, the major fund and the aggregate remaining fund information for the primary government of Perry 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 accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2005, on our consideration of Perry County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 considered in assessing the results of our audit.

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

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

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



PHIL BRYANT  
State Auditor



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

May 7, 2005

PERRY COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

PERRY COUNTY  
Statement of Net Assets  
September 30, 2004

Exhibit 1

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
<b>ASSETS</b>	
Cash	\$ 7,213,238
Property tax receivable	3,944,437
Fines receivable (net of allowance for uncollectibles of \$1,039,984)	160,303
Intergovernmental receivables	60,499
Other receivables	1,550
Capital assets, net	19,993,793
Total Assets	<u>31,373,820</u>
<b>LIABILITIES</b>	
Claims payable	174,200
Intergovernmental payables	90,445
Deferred revenue	3,944,437
Other payables	37,065
Long-term liabilities	
Due within one year:	
Capital debt	503,178
Due in more than one year:	
Capital debt	1,731,747
Non-capital debt	31,622
Total Liabilities	<u>6,512,694</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	17,758,868
Restricted:	
Expendable:	
General government	178,424
Debt service	555,573
Public safety	207,024
Public works	1,108,802
Health and welfare	513,619
Culture and recreation	342,451
Conservation of natural resources	199,874
Economic development	239,667
Unemployment compensation	38,868
Unrestricted	3,717,956
Total Net Assets	<u>\$ 24,861,126</u>

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

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

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 2,335,397	169,917			(2,165,480)
Public safety	1,313,344	192,033	68,280	7,085	(1,045,946)
Public works	4,662,554		1,751,448	258,242	(2,652,864)
Health and welfare	772,473		376,647		(395,826)
Culture and recreation	123,487				(123,487)
Conservation of natural resources	138,508	2,710			(135,798)
Economic development and assistance	56,796				(56,796)
Interest on long-term debt	438,161				(438,161)
Total Governmental Activities	<u>\$ 9,840,720</u>	<u>364,660</u>	<u>2,196,375</u>	<u>265,327</u>	<u>(7,014,358)</u>
General revenues:					
Property taxes					3,479,178
Road & bridge privilege taxes					140,588
Grants and contributions not restricted to specific programs					580,162
Unrestricted interest income					70,709
Miscellaneous					858,477
Special item: Loss on sale of hospital					<u>(2,457,931)</u>
Total General Revenues and Special Item					<u>2,671,183</u>
Changes in Net Assets					<u>(4,343,175)</u>
Net Assets - Beginning					14,308,708
Prior period adjustment					14,895,593
Net Assets - Beginning, as restated					<u>29,204,301</u>
Net Assets - Ending					<u>\$ 24,861,126</u>

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

PERRY COUNTY  
 Balance Sheet - Governmental Funds  
 September 30, 2004

Exhibit 3

	<u>Major Fund</u>	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
<b>ASSETS</b>			
Cash	\$ 3,761,280	3,451,958	7,213,238
Property tax receivable	2,231,373	1,713,064	3,944,437
Fines receivable (net of allowance for uncollectibles of \$1,039,984)	160,303		160,303
Intergovernmental receivables	53,481	7,018	60,499
Other receivables	1,550		1,550
Due from other funds	1,393	69,326	70,719
Advances to other funds	2,935		2,935
Total Assets	<u>\$ 6,212,315</u>	<u>5,241,366</u>	<u>11,453,681</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Claims payable	\$ 59,528	114,672	174,200
Intergovernmental payables	83,017		83,017
Due to other funds	51,754	26,393	78,147
Advances from other funds		2,935	2,935
Deferred revenue	2,391,676	1,713,064	4,104,740
Other payables	<u>37,065</u>		<u>37,065</u>
Total Liabilities	<u>2,623,040</u>	<u>1,857,064</u>	<u>4,480,104</u>
Fund balances:			
Reserved for:			
Debt service		555,573	555,573
Advances	2,935		2,935
Unemployment compensation		38,868	38,868
Unreserved, reported in:			
General Fund	3,586,340		3,586,340
Special Revenue Funds		<u>2,789,861</u>	<u>2,789,861</u>
Total Fund Balances	<u>3,589,275</u>	<u>3,384,302</u>	<u>6,973,577</u>
Total Liabilities and Fund Balances	<u>\$ 6,212,315</u>	<u>5,241,366</u>	<u>11,453,681</u>

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

PERRY 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	\$ 6,973,577
Amounts reported for governmental services in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$33,662,158.	19,993,793
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	160,303
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	<u>(2,266,547)</u>
Total Net Assets - Governmental Activities	<u>\$ 24,861,126</u>

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

## PERRY COUNTY

Exhibit 4

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

	<u>Major Fund</u>	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
<b>REVENUES</b>			
Property taxes	\$ 1,793,845	1,685,333	3,479,178
Road and bridge privilege taxes		140,588	140,588
Licenses, commissions and other revenue	115,112	5,121	120,233
Fines and forfeitures	193,731	10,915	204,646
Intergovernmental revenues	408,840	2,633,024	3,041,864
Charges for services	65,585	102,005	167,590
Interest income	40,543	30,166	70,709
Miscellaneous revenues	190,374	659,957	850,331
Total Revenues	<u>2,808,030</u>	<u>5,267,109</u>	<u>8,075,139</u>
<b>EXPENDITURES</b>			
Current:			
General government	1,849,648	146,583	1,996,231
Public safety	1,213,740	222,894	1,436,634
Public works		3,380,544	3,380,544
Health and welfare	155,330	453,498	608,828
Culture and recreation		121,447	121,447
Conservation of natural resources	39,102	99,406	138,508
Economic development and assistance	17,102	39,694	56,796
Debt service:			
Principal	2,150,370	452,163	2,602,533
Interest	10,665		10,665
Bond issue costs	243,442	184,054	427,496
Total Expenditures	<u>5,679,399</u>	<u>5,100,283</u>	<u>10,779,682</u>
Excess of Revenues over (under) Expenditures	<u>(2,871,369)</u>	<u>166,826</u>	<u>(2,704,543)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Long-term capital debt issued	22,760	334,335	357,095
Proceeds from sale of capital assets	676	21,914	22,590
Transfers in	3,500	32,697	36,197
Transfers out	(14,698)	(21,499)	(36,197)
Total Other Financing Sources and Uses	<u>12,238</u>	<u>367,447</u>	<u>379,685</u>
SPECIAL ITEM (Proceeds from Sale of Hospital)	<u>2,382,392</u>		<u>2,382,392</u>
Net Changes in Fund Balances	<u>(476,739)</u>	<u>534,273</u>	<u>57,534</u>
Fund Balances - Beginning	<u>4,066,014</u>	<u>2,850,029</u>	<u>6,916,043</u>
Fund Balances - Ending	<u>\$ 3,589,275</u>	<u>3,384,302</u>	<u>6,973,577</u>

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

PERRY COUNTY

Exhibit 4-1

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

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 57,534
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$645,896 were exceeded by depreciation of \$2,317,698 in the current period.	(1,671,802)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the loss of \$2,449,785 and the proceeds from the sale of \$2,404,982 in the current period.	(4,854,767)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(127,809)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$2,602,533 exceeded debt proceeds of \$357,095.	2,245,438
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by the amount of the reduction in compensated absences.	<u>8,231</u>
Change in Net Assets of Governmental Activities	<u>\$ (4,343,175)</u>

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

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

Exhibit 5

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$
Accrued interest receivable	8,194
Due from other funds	<u>7,428</u>
Total Assets	<u>\$ 15,622</u>
<b>LIABILITIES</b>	
Intergovernmental payables	<u>\$ 15,622</u>
Total Liabilities	<u>\$ 15,622</u>

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

PERRY COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

- Perry County Economic Development District

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

## PERRY COUNTY

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

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

#### Fund Financial Statements:

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

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

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

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

The county reports the following major Governmental Fund:

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

Additionally, the county reports the following fund types:

#### GOVERNMENTAL FUND TYPES

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

## PERRY COUNTY

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

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

#### FIDUCIARY FUND TYPE

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

#### D. Account Classifications.

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

#### E. Deposits and Investments.

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

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

#### F. Receivables.

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

#### G. Interfund Transactions and Balances.

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

PERRY COUNTY

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

H. Capital Assets.

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

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. In 2004, Perry County has elected to report general infrastructure assets acquired after September 30, 1980, on the government-wide financial statements. Current year general infrastructure assets are reported on the government-wide financial statements as required. 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 are used to report capital assets in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds.

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

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

I. Long-term Liabilities.

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

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

## PERRY COUNTY

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

#### J. Equity Classifications.

##### Government-wide Financial Statements:

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

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

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

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

##### Fund Financial Statements:

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

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

#### K. Property Tax Revenues.

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

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

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

PERRY COUNTY

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

L. Intergovernmental Revenues in Governmental Funds.

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

M. Compensated Absences.

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

(2) Prior Period Adjustment.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
Capital Assets	\$ <u>14,895,593</u>

Adjustment to capital assets to increase the beginning balance of capital assets by a net amount of \$14,895,593 to reflect infrastructure and related depreciation amounts retroactive to October 1, 1980.

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2004, was \$7,221,432, and the bank balance was \$7,588,511. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

PERRY COUNTY

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

(4) Interfund Transactions 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>
General	Other Governmental Funds	\$ 1,393
Other Governmental Funds	Other Governmental Funds	25,000
Other Governmental Funds	General	44,326
Agency Funds	General	<u>7,428</u>
Total		<u>\$ 78,147</u>

The General Fund receivable in the amount of \$1,393 represents an error in posting severance tax revenue during the year. The Other Governmental Funds receivable in the amount of \$25,000 represents an error in posting revenue during the year. All other amounts listed are the tax revenue collected but not settled until October, 2004. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

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

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

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 3,500
Other Governmental Funds	General Fund	14,698
Other Governmental Funds	Other Governmental Funds	<u>17,999</u>
Total		<u>\$ 36,197</u>

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

PERRY COUNTY

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

(5) Intergovernmental Receivables.

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

Description	Amount
Legislative tax credit	\$ 53,481
Overweight fines	<u>7,018</u>
Total Governmental Activities	<u>\$ 60,499</u>

(6) Capital Assets.

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

	Balance Oct. 1, 2003	Additions	Deletions	Adjustments *	Balance Sept. 30, 2004
<u>Non-depreciable capital assets:</u>					
Land	\$ 918,900	0	65,157	0	<u>853,743</u>
<u>Depreciable capital assets:</u>					
Infrastructure	1,020,000			41,127,304	42,147,304
Buildings	9,167,655		3,382,002		5,785,653
Improvements other than buildings	50,000				50,000
Mobile equipment	3,269,425	288,801	116,147	149,916	3,591,995
Furniture and equipment	2,439,018		2,195,111		243,907
Leased property under capital leases	776,170	357,095		(149,916)	983,349
Total depreciable capital assets	<u>16,722,268</u>	<u>645,896</u>	<u>5,693,260</u>	<u>41,127,304</u>	<u>52,802,208</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	35,700	1,384,155		26,231,711	27,651,566
Buildings	2,071,886	175,226	129,643		2,117,469
Improvements other than buildings	4,000	2,000			6,000
Mobile equipment	2,731,073	249,695	101,703	132,013	3,011,078
Furniture and equipment	569,649	342,375	672,304		239,720
Leased property under capital leases	604,091	164,247		(132,013)	636,325
Total accumulated depreciation	<u>6,016,399</u>	<u>2,317,698</u>	<u>903,650</u>	<u>26,231,711</u>	<u>33,662,158</u>
Total depreciable capital assets, net	<u>10,705,869</u>	<u>(1,671,802)</u>	<u>4,789,610</u>	<u>14,895,593</u>	<u>19,140,050</u>
Governmental activities capital assets, net	<u>\$ 11,624,769</u>	<u>(1,671,802)</u>	<u>4,854,767</u>	<u>14,895,593</u>	<u>19,993,793</u>

\* Adjustments are the effect of adding infrastructure assets acquired after September 30, 1980 of \$14,895,593 and the reclassification of paid out capital leases from leased property under capital leases to mobile equipment.

PERRY COUNTY

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

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 341,222
Public safety	69,907
Public works	1,740,884
Health and welfare	163,645
Culture and recreation	<u>2,040</u>
Total governmental activities depreciation expense	<u>\$ 2,317,698</u>

(7) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$500,000 for law enforcement, fire fighters and road construction personnel and \$400,000 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.

(8) Operating Leases.

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$363,000 for the year ended September 30, 2004. On August 25, 2004, the county hospital facilities previously leased by a privately owned entity, Dasse Community Health Systems, were sold to Bay Street Properties, LLC. The county will receive no future income.

PERRY COUNTY

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

(9) Capital Leases.

As Lessee:

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

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 838,552
Other furniture and equipment	<u>144,797</u>
Total	983,349
Less: Accumulated depreciation	<u>636,325</u>
Leased Property Under Capital Leases	<u><u>\$ 347,024</u></u>

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	\$ 298,178	15,468
2006	119,767	8,560
2007	98,562	8,621
2008	56,363	2,499
2009	<u>47,055</u>	<u>709</u>
Total	<u><u>\$ 619,925</u></u>	<u><u>35,857</u></u>

(10) Long-term Debt.

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

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
A. General Obligation Bonds:			
Partial refunding bonds	\$ 625,000	4.90/5.40	05-10
Jail building bonds	780,000	5.40/6.00	02-14
General obligation building bonds	<u>210,000</u>	4.60/6.50	10-10
Total General Obligation Bonds	<u><u>\$ 1,615,000</u></u>		
B. Capital Leases:			
Dozer	\$ 20,911	5.16	03-06
New Holland tractor	6,167	4.50	08-05
Motor grader	115,875	5.50	11-04
John Deere dozer	9,186	4.50	03-05

PERRY COUNTY

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
New Holland tractor	12,960	5.10	03-06
New Holland tractor	29,150	4.01	08-07
Crown Victoria	7,648	4.44	10-05
911 network	41,847	4.50	10-05
2003 Crown Victoria	15,934	3.60	09-07
2003 Chevy Silverado truck	12,111	3.69	03-07
Tractor	20,070	3.58	09-07
Crown Victoria	18,677	2.65	12-07
Garbage truck	53,146	2.65	09-07
Caterpillar backhoe	36,137	3.30	06-09
Caterpillar backhoe	36,137	3.30	06-09
Caterpillar backhoe	36,137	3.30	06-09
Caterpillar backhoe	36,722	3.30	07-09
Caterpillar backhoe	36,137	3.30	06-09
Garbage truck	74,973	3.12	09-09
Total Capital Leases	\$ 619,925		

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	\$ 205,000	86,260
2006	205,000	75,820
2007	225,000	64,893
2008	235,000	56,174
2009	255,000	43,471
2010 - 2014	490,000	87,871
Total	\$ 1,615,000	414,489

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 2.01% 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, \$605,000 of bonds outstanding were considered defeased.

PERRY COUNTY

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

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
Compensated absences	\$ 39,853		8,231		31,622	
General obligation bonds	4,045,000		2,430,000		1,615,000	205,000
Capital leases	435,363	357,095	172,533		619,925	298,178
<b>Total</b>	<b>\$ 4,520,216</b>	<b>357,095</b>	<b>2,610,764</b>	<b>0</b>	<b>2,266,547</b>	<b>503,178</b>

Pursuant to a board order, on August 25, 2004, the county sold the former Perry County hospital property to Bay Street Properties for the amount of \$2,382,392, a sum sufficient to defease the General Obligation Refunding Bonds Series 1997, with a principal balance of \$2,130,000 at the time of defeasance. The paying agent for the 1997 bonds will provide for the debt service due on the defeased bonds up and through April 1, 2007, and the funds for the optional redemption of the callable 1997 bonds on April 1, 2007. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the county's financial statements.

(11) Contingencies.

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

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.

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

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

<u>Description</u>	<u>Balance at Sept. 30, 2004</u>
Industrial revenue bonds	\$ <u>100,600,000</u>

## PERRY COUNTY

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

#### (13) Joint Ventures.

The county participates in the following joint ventures:

Perry County is a participant with the Counties of Covington, Greene and Stone in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Pine Forest Regional Library. The joint venture was created to provide free library service to the citizens of the respective counties, and is governed by a five-member board. Each county appoints one board member with the appointment of the fifth member rotating annually among the counties. By contractual agreement, the county's appropriation to the joint venture was \$83,857 in fiscal year 2004. Complete financial statements for the Pine Forest Regional Library can be obtained from P.O. Box 1208, Richton, MS 39476.

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

Perry County is a participant with the Town of Richton in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the Richton-Perry County Airport. The joint venture was created to provide an airport facility available for use by the general public. The five members of the board of directors are appointed as follows: Perry County, two; Town of Richton, two; and jointly by Perry County and the Town of Richton, one. The county did not appropriate any funds to the joint venture in fiscal year 2004. Complete financial statements for the Richton-Perry County Airport can be obtained from City Hall at 208 Front Street South in Richton, Mississippi.

#### (14) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

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

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

Southeast Mississippi Air Ambulance District provides air ambulance service to the Counties of Covington, Forrest, Greene, Jefferson Davis, Lamar, Marion, Pearl River, Perry and Walthall. The Perry County Board of Supervisors appoints one of the nine members of the board of directors. The county appropriated \$33,108 for support of the district in fiscal year 2004.

PERRY COUNTY

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

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

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

Jones County Junior College operates in a district composed of the Counties of Clarke, Covington, Greene, Jasper, Jones, Perry, Smith and Wayne. The Perry County Board of Supervisors appoints two of the 20 members of the college board of trustees. The county appropriated \$226,883 for maintenance and support of the college in fiscal year 2004.

(15) Defined Benefit Pension Plan.

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

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 \$168,604, \$158,091 and \$159,233, respectively, equal to the required contributions for each year.

(16) Subsequent Events.

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

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10-29-04	3.08	\$ 175,036	Lease purchase	General Fund revenues
11-06-04	3.05	115,230	Lease purchase	District 3 Road Fund revenues
11-11-04	3.31	25,025	Lease purchase	General Fund revenues

(17) Special Item.

On August 25, 2004, Perry County sold the former Perry County Hospital to Bay Street Properties. The county received proceeds from the sale of \$2,382,392, presented in Exhibit 4 as a special item. Also, the county sustained a loss of \$2,457,931 on the sale of the capital assets, presented in Exhibit 2 as a special item.

PERRY COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

PERRY 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	\$ 1,675,990	1,790,269	1,790,269	
Licenses, commissions and other revenue	94,300	113,356	113,356	
Fines and forfeitures	136,250	153,413	153,413	
Intergovernmental revenues	384,082	441,477	441,477	
Charges for services	45,000	74,177	74,177	
Interest income	163,264	33,791	33,791	
Miscellaneous revenues		159,349	159,349	
Total Revenues	<u>2,498,886</u>	<u>2,765,832</u>	<u>2,765,832</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,648,429	1,922,120	1,919,120	3,000
Public safety	1,047,268	1,057,793	1,057,793	
Public works	1,000			
Health and welfare	127,043	154,825	154,825	
Education		20,577	20,577	
Conservation of natural resources	64,928	38,692	38,692	
Economic development and assistance	17,102	17,102	17,102	
Total Expenditures	<u>3,905,770</u>	<u>3,211,109</u>	<u>3,208,109</u>	<u>3,000</u>
Excess of Revenues over (under) Expenditures	<u>(1,406,884)</u>	<u>(445,277)</u>	<u>(442,277)</u>	<u>3,000</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Compensation for loss of capital assets		623	623	
Transfers in	63,270	72,186	72,186	
Transfers out	(63,431)	(101,731)	(101,731)	
Other financing sources	3,683,883			
Other financing uses	(2,226,868)			
Total Other Financing Sources and Uses	<u>1,456,854</u>	<u>(28,922)</u>	<u>(28,922)</u>	<u>0</u>
Net Change in Fund Balance	49,970	(474,199)	(471,199)	3,000
Fund Balances - Beginning	<u>6,049,719</u>	<u>3,943,573</u>	<u>4,013,187</u>	<u>69,614</u>
Fund Balances - Ending	<u>\$ 6,099,689</u>	<u>3,469,374</u>	<u>3,541,988</u>	<u>72,614</u>

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

PERRY COUNTY

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

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. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

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

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

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund:

	Governmental Fund
	General Fund
Budget (Cash Basis)	\$ (471,199)
Increase (Decrease)	
Net adjustments for revenue accruals	42,251
Net adjustments for expenditure accruals	(47,791)
GAAP Basis	\$ (476,739)

PERRY COUNTY

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PERRY COUNTY

SUPPLEMENTAL INFORMATION

PERRY COUNTY

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PERRY COUNTY  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended September 30, 2004

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<b>MAJOR FEDERAL AWARDS</b>			
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Community development block grants/state's program	14.228	1118-01-056PF-01	\$ 431,200
HOME investment partnerships program	14.239	M03-SG-28-01-1021	<u>350,000</u>
Total U.S. Department of Housing and Urban Development			<u>781,200</u>
Total Expenditures of Major Federal Awards			<u>781,200</u>
<b>OTHER FEDERAL AWARDS</b>			
U.S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	N/A	<u>12,010</u>
Total Expenditures of Other Federal Awards			<u>12,010</u>
Total Expenditures of Federal Awards			<u><u>\$ 793,210</u></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 accrual basis of accounting.

PERRY COUNTY

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PERRY COUNTY

SPECIAL REPORTS

PERRY COUNTY

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# State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON 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  
Perry County, Mississippi

We have audited the primary government financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Perry County, Mississippi, as of and for the year ended September 30, 2004, which collectively comprise the county's basic primary government financial statements and have issued our report thereon dated May 7, 2005. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component unit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered Perry County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Perry County, Mississippi's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 04-1.

A material weakness is a reportable 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, we believe the reportable condition described above is not a material weakness.

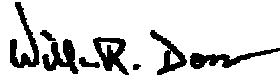
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Perry County, Mississippi's primary government 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 or other matters that are required to be reported under *Government 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.



PHIL BRYANT  
State Auditor



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

May 7, 2005



## State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

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

Members of the Board of Supervisors  
Perry County, Mississippi

#### Compliance

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

In our opinion, Perry 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 Perry 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 Perry 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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



PHIL BRYANT  
State Auditor



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

May 7, 2005



## State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

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

Members of the Board of Supervisors  
Perry County, Mississippi

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

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

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

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

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



PHIL BRYANT  
State Auditor



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

May 7, 2005

PERRY 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.

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

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
04-29-04	Truck	\$ 12,510	Paul Moak Pontiac	Road crew pickup became inoperable.
08-25-04	Garbage truck	74,973	Holmac Corp.	Three out of four garbage trucks were out of service.

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

Schedule 3

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

PERRY COUNTY

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PERRY COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PERRY COUNTY

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PERRY COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2004

Section 1: Summary of Auditor's Results

***Financial Statements:***

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

***Federal Awards:***

- |     |   |             |
|-----|---|-------------|
| 4.  | Internal control over major programs:   |             |
|     | a. Material weakness identified?  | No          |
|     | b. Reportable condition identified that is not considered to be a material weakness?  | No          |
| 5.  | Type of auditor's report issued on compliance for major federal programs:   | Unqualified |
| 6.  | Any audit findings reported as required by Section ____,510(a) of Circular A-133?   | No          |
| 7.  | Federal programs identified as major programs:  |             |
|     | a. Community development block grants/state's program, CFDA #14.228   |             |
|     | b. HOME investment partnerships program, CFDA #14.239   |             |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:  | \$300,000   |
| 9.  | Auditee qualified as a low-risk auditee?  | No          |
| 10. | Prior fiscal year audit finding and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____,315(b) of OMB Circular A-133? | No          |

PERRY COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2004

Section 2: Financial Statement Findings

Justice Court Clerk.

04-1. Finding

As reported in the prior year audit report, weak controls exist over the recording of funds. Balances were not carried forward to the next month on cash journals, causing incorrect balances in the journal. Bank statements were not reconciled to the criminal cash journal.

Recommendation

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

Justice Court Clerk's Response

Procedures have been taken to clear this matter.