



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

ADAMS COUNTY, MISSISSIPPI

Audited Primary Government Financial Statements and Special Reports
For the Year Ended September 30, 2005

Switzer, Hopkins & Mange
300 Main Street
Natchez MS 39120

ADAMS COUNTY, MISSISSIPPI

TABLE OF CONTENTS

FINANCIAL SECTION 1

INDEPENDENT AUDITORS' REPORT..... 2

MANAGEMENT’S DISCUSSION AN ANALYSIS 4

PRIMARY GOVERNMENT FINANCIAL STATEMENTS 15

 Statement of Net Assets..... 16

 Statement of Activities 17

 Balance Sheet – Governmental Funds 18

 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets 19

 Statement of Revenues, Expenditures and Changes in Fund Balances –
 Governmental Funds 20

 Reconciliation of the Statement of revenues, Expenditures and changes in
 Fund Balances of Governmental Funds to the Statement of Activities 21

 Statement of Net Assets – Internal Service Fund 22

 Statement of Revenues, Expenses and changes in Fund Net Assets –
 Internal Service Fund 23

 Statement of Cash Flows – Internal Service Fund..... 24

 Statement of Fiduciary Assets and Liabilities 25

 Notes to Financial Statements 26

REQUIRED SUPPLEMENTARY INFORMATION 43

 Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis) –
 General Fund..... 44

 Port and Harbor Fund..... 45

 Countywide Road Maintenance Fund 46

 MRC New Warehouse Fund 47

 Notes to the Required Supplementary Information 48

SUPPLEMENTAL INFORMATION 50

 Schedule of Expenditures of Federal Awards..... 51

SPECIAL REPORTS..... 52

 Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based
 on an Audit of the Primary Government Financial Statements Performed in Accordance with
 Government Auditing Standards 53

 Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program
 and Internal Control Over Compliance in Accordance with OMB Circular A-133 55

 Independent Auditors' Report on Central Purchasing System, Inventory Control System and Purchase
 Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972))..... 57

SCHEDULE OF FINDING AND QUESTIONED COSTS 61

ADAMS COUNTY

FINANCIAL SECTION

SWITZER, HOPKINS & MANGE

Certified Public Accountants

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

JOHN M. JONES, CPA 1921 - 1983

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

Members of the Board of Supervisors
Adams County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Adams County, Mississippi, as of and for the year ended September 30, 2005, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

The financial statements referred to above include only the primary government of Adams County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Adams County, Mississippi, as of September 30, 2005, and the respective changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects, if any, of the matter described in the third paragraph, the primary government financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Adams County, Mississippi, as of September 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the primary government financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, the Port and Harbor Fund, the County-Wide Road Maintenance and Construction Fund, the MRC New Warehouse Fund, the Debt Service Fund and the aggregate remaining fund information of Adams County, Mississippi, as of September 30, 2005, 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 June 9, 2006, on our consideration of Adams County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 4 through 14 and the Budgetary Comparison Schedule and corresponding notes on pages 44 through 48 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 Adams County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Natchez, Mississippi
June 9, 2006

ADAMS COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year ended September 30, 2005

INTRODUCTION

The discussion and analysis of Adams County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2005. 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.

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

FINANCIAL HIGHLIGHTS

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

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

Total net assets decreased \$2,444,324, which represents a 9.4% decrease from the prior fiscal year. The County's ending cash balance decreased by \$753,776, which represents a 19.6% decrease from the prior fiscal year.

The County had \$14,876,270 in total revenues. Tax revenues account for \$8,322,803 or 56% of total revenues. Federal, state and local government revenues in the form of reimbursements, shared revenue or grants, account for \$4,011,668 or 27% of total revenues.

The County had \$19,100,423 in total expenses, which represents an increase of \$1,595,021 or a 9% increase from the prior fiscal year. Expenses in the amount of \$6,315,850 were offset by grants, outside contributions or debt being issued. General revenues of \$11,840,336 were not adequate to provide for the remainder of the expenses resulting in a decrease in total governmental fund balances of \$944,230.

Among major funds, the General Fund had \$8,202,739 in revenues and \$11,027,411 in expenditures. The General Fund's fund balance decreased \$938,917 under the prior year.

Among major funds, the Port and Harbor Fund had \$288,722 in revenues and \$748,260 in expenditures. The Port and Harbor Fund's fund balance increased \$114,500 over the prior year.

Among major funds, the Countywide Road Maintenance Fund had \$1,890,278 in revenues and \$2,284,105 in expenditures. The Countywide Road Maintenance Fund's fund balance decreased \$38,719 under the prior year.

Among major funds, the MRC New Warehouse fund had \$41,954 in revenues and \$150,419 in expenditures. The MRC New Warehouse fund balance decreased \$38,861 under the prior year.

Among major funds, the Debt Service Fund had \$738,269 in revenues and \$756,128 in expenditures. The Debt Service Fund’s fund balance decreased \$17,859 under the prior year.

Capital assets, net of accumulated depreciation, decreased by \$2,516,313. This significant change was primarily due to depreciation.

Long-term debt decreased by \$1,032,361, primarily due to the payment of long-term debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Figure 1— Required Components of the County’s Annual Report

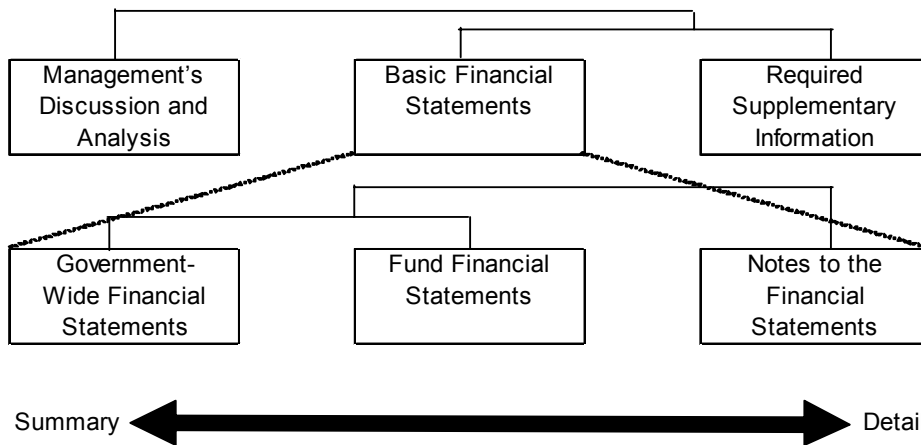


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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

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

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

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

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

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

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

The Government-wide Financial Statements can be found on pages 16 – 17 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 19 and 21 respectively.

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

The basic governmental funds financial statements can be found on pages 18 – 21 of this report.

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

Fund financial statements for the proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements can be found on pages 22 – 24 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Net Assets, which can be found on page 25 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 26 – 42 of this report.

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

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 44 – 48 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 51 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets — Net assets may serve over time as a useful indicator of government’s financial position. In the case of Adams County, assets exceeded liabilities by \$23,703,989 as of September 30, 2005.

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

The following table presents a summary of the County’s net assets for the fiscal year ended September 30, 2005.

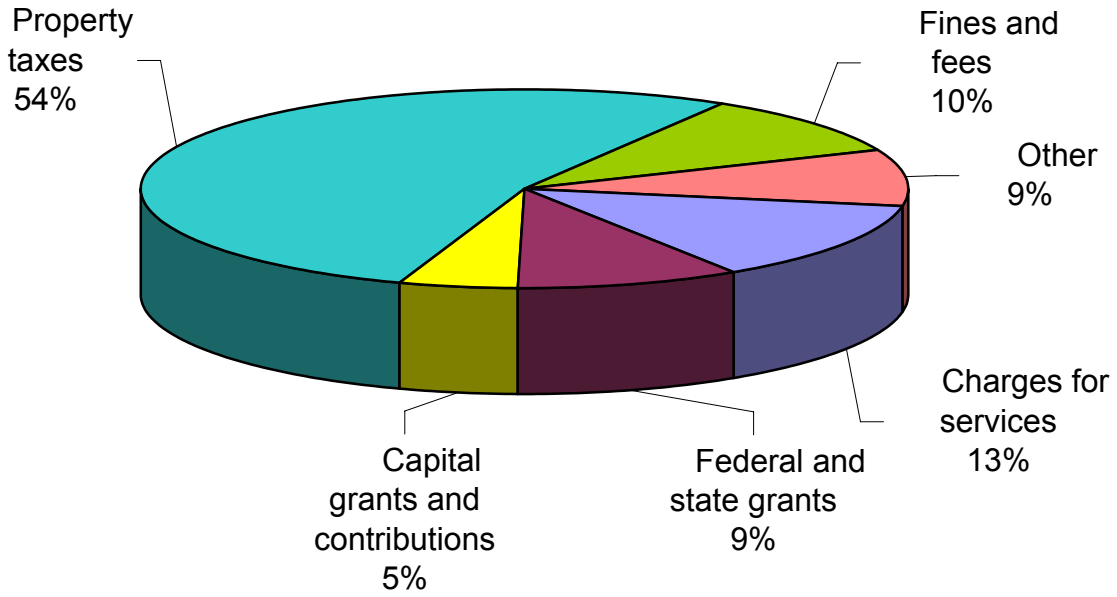
	Governmental Activities		
	2005	2004	2003
Current assets	\$ 14,783,804	\$ 14,159,678	\$ 15,135,621
Capital assets, net	36,284,721	38,801,034	40,896,120
Total assets	<u>51,068,525</u>	<u>52,960,712</u>	<u>56,031,741</u>
Current liabilities	8,913,527	7,329,029	7,983,140
Long-term debt outstanding	18,451,009	19,483,370	19,841,023
Total liabilities	<u>27,364,536</u>	<u>26,812,399</u>	<u>27,824,163</u>
Net assets:			
Invested in capital assets, net of related debt	28,297,358	29,422,722	31,910,331
Restricted	1,264,599	1,470,087	1,259,821
Unrestricted	<u>(5,857,968)</u>	<u>(4,744,496)</u>	<u>(4,962,574)</u>
Total net assets	<u>\$ 23,703,989</u>	<u>\$ 26,148,313</u>	<u>\$ 28,207,578</u>

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

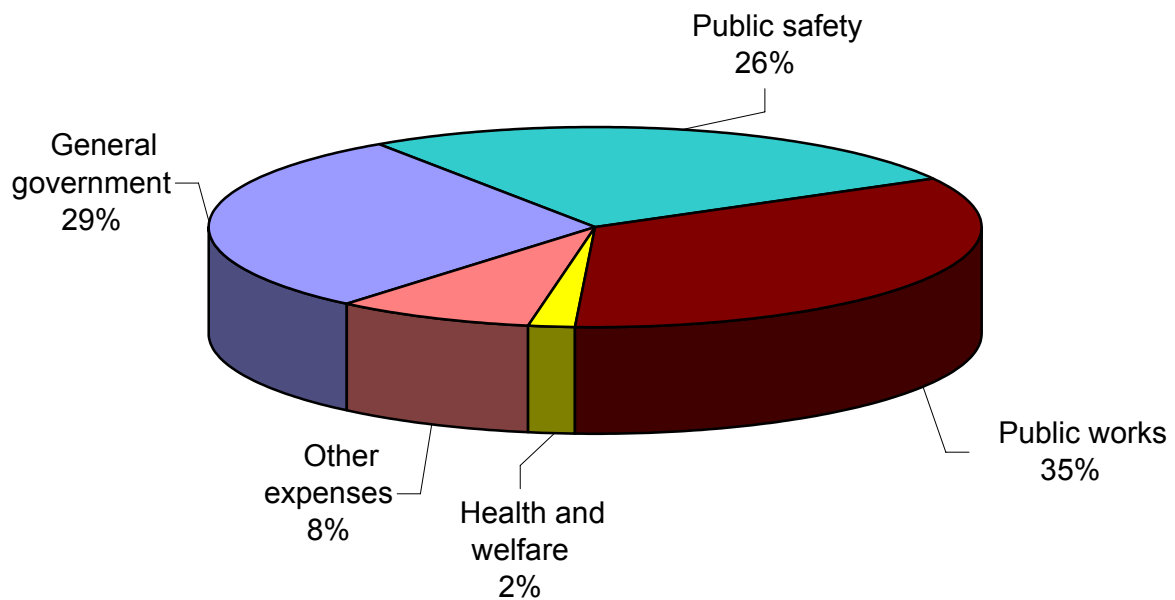
Changes in Net Assets — Adams County’s total revenues for the fiscal year ended September 30, 2005 was \$15,651,766. The total cost for all services provided was \$18,096,090. The decrease in net assets was \$2,444,324. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2005, 2004 and 2003:

Revenues:	<u>2005</u>	<u>2004</u>	<u>2003</u>
Program revenues			
Charges for services	\$ 2,026,619	\$ 1,703,373	\$ 1,958,119
Federal and state grants	1,476,322	1,587,156	1,445,340
Capital grants and contributions	811,482	959,675	150,504
General revenues			
Property taxes	8,322,803	8,861,375	8,542,434
Fines and fees	1,576,962	1,658,016	1,535,264
Other	<u>1,437,578</u>	<u>931,216</u>	<u>870,265</u>
Total Revenues	<u>15,651,766</u>	<u>15,700,811</u>	<u>14,501,926</u>
Expenses:			
General government	5,323,001	5,259,620	5,197,374
Public safety	4,765,391	4,773,901	4,377,279
Public works	6,143,945	5,991,929	5,952,346
Health and welfare	377,439	361,517	418,876
Other expenses	<u>1,486,314</u>	<u>1,373,109</u>	<u>1,366,885</u>
Total Expenses	<u>18,096,090</u>	<u>17,760,076</u>	<u>17,312,760</u>
(Decrease) in Net Assets	<u>\$ (2,444,324)</u>	<u>\$ (2,059,265)</u>	<u>\$ (2,810,834)</u>

WHERE THE COUNTY GETS ITS REVENUE



HOW THE COUNTY REVENUES ARE USED



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

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

	Total Costs	Net Costs
General government	\$ 5,323,001	\$ 2,967,860
Public safety	4,765,391	3,724,985
Public works	6,143,945	5,421,673
Health and welfare	377,439	230,535
Economic Development	301,769	301,769
Interest on long-term debt	951,170	951,170
Other	233,375	183,675

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental funds — At the close of the fiscal year, Adams County's governmental funds reported a combined fund balance of \$5,476,905, a decrease of \$944,230. The primary reasons for this decrease are highlighted in the analysis of governmental activities. In addition, others factors that affected ending fund balance are as follows:

- Debt repayment in various funds exceeded proceeds from new debt issues.

The General Fund is the principal operating fund of the County. The decrease in the fund balance of the General Fund for the fiscal year was \$938,917. This decrease was primarily due to:

- Increase in transfers to Self-funded Health Insurance Fund to pay claims in excess of budget.
- Increase in expenditures for General government and Public works. Part of this increase is attributable to costs of providing emergency services and debris removal and cleanup as a result of Hurricanes Katrina and Rita.
- Decrease in revenues including property taxes. The decrease in property taxes resulted from the closing of a large manufacturing plant in fiscal year 2004.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

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

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

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

	<u>Original Budget</u>	<u>Actual</u>	Favorable (Unfavorable) Variance with <u>Original Budget</u>
General Fund			
Total revenues	\$ 8,937,790	\$ 8,630,820	\$ (306,970)
Total expenditures	9,571,802	9,392,664	179,138
Total other financing sources and uses	609,921	496,777	(113,144)
Net Change in Cash Balance	\$ (24,091)	\$ (265,067)	\$ (240,976)
	<u>Final Budget</u>	<u>Actual</u>	Favorable (Unfavorable) Variance with <u>Final Budget</u>
General Fund			
Total revenues	\$ 8,630,820	\$ 8,630,820	\$ -
Total expenditures	9,392,664	9,392,664	-
Total other financing sources and uses	496,777	496,777	-
Net Change in Cash Balance	\$ (265,067)	\$ (265,067)	\$ -
	<u>Original Budget</u>	<u>Actual</u>	Favorable (Unfavorable) Variance with <u>Original Budget</u>
Ports and Harbor Fund			
Total revenues	\$ 288,209	\$ 284,380	\$ (3,829)
Total expenditures	338,209	927,242	(589,033)
Total other financing sources and uses	50,000	721,407	671,407
Net Change in Cash Balance	\$ -	\$ 78,545	\$ 78,545
	<u>Final Budget</u>	<u>Actual</u>	Favorable (Unfavorable) Variance with <u>Final Budget</u>
Ports and Harbor Fund			
Total revenues	\$ 284,380	\$ 284,380	\$ -
Total expenditures	927,242	927,242	-
Total other financing sources and uses	721,407	721,407	-
Net Change in Cash Balance	\$ 78,545	\$ 78,545	\$ -
	<u>Original Budget</u>	<u>Actual</u>	Favorable (Unfavorable) Variance with <u>Original Budget</u>
Co-Wide Road Maintenance Fund			
Total revenues	\$ 1,614,569	\$ 1,594,890	\$ (19,679)
Total expenditures	1,753,083	1,622,080	131,003
Total other financing sources and uses	6,000	(411,363)	(417,363)
Net Change in Cash Balance	\$ (132,514)	\$ (438,553)	\$ (306,039)

	<u>Final Budget</u>	<u>Actual</u>	Favorable (Unfavorable) Variance with <u>Final Budget</u>
Co-Wide Road Maintenance Fund			
Total revenues	\$ 1,594,890	\$ 1,594,890	\$ -
Total expenditures	1,622,080	1,622,080	-
Total other financing sources and uses	(411,363)	(411,363)	-
Net Change in Cash Balance	\$ (438,553)	\$ (438,553)	\$ -
	<u>Original Budget</u>	<u>Actual</u>	Favorable (Unfavorable) Variance with <u>Original Budget</u>
MRC New Warehouse Fund			
Total revenues	\$ -	\$ 150,419	\$ 150,419
Total expenditures	-	150,419	(150,419)
Total other financing sources and uses	-	-	-
Net Change in Cash Balance	\$ -	\$ -	\$ -
	<u>Final Budget</u>	<u>Actual</u>	Favorable (Unfavorable) Variance with <u>Final Budget</u>
MRC New Warehouse Fund			
Total revenues	\$ 150,419	\$ 150,419	\$ -
Total expenditures	150,419	150,419	-
Total other financing sources and uses	-	-	-
Net Change in Cash Balance	\$ -	\$ -	\$ -

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets — As of September 30, 2005, Adams County’s total capital assets were \$90,198,862. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase from the previous year of \$540,284 primarily due to additions to buildings and land in the current year.

Total accumulated depreciation as of September 30, 2005 was \$53,914,141, including \$3,188,641 of depreciation expense for the year. The balance in total net capital assets was \$36,254,721 at year-end.

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

Debt Administration — At September 30, 2005, Adams County had \$18,451,009 in long-term debt outstanding. This includes general obligation bonds, special obligation bonds, other loans and obligations under capital lease. Of this debt, \$2,736,363 is due within one year.

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

Additional information on Adams County’s long-term debt can be found in note 12 on pages 38 – 40 of this report.

CURRENT AND FUTURE ITEMS OF IMPACT

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

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

ADAMS COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

ADAMS COUNTY
Statement of Net Assets
September 30, 2005

Exhibit 1

	<u>Primary</u>
	<u>Government</u>
	Governmental
	<u>Activities</u>
ASSETS	
Cash (Note 4)	\$ 2,067,456
Cash with fiscal agent	737,236
Property tax receivable	7,302,603
Accounts receivables - waste collection, net of allowance for doubtful accounts of \$526,327	123,250
Loans receivable (Note 5)	3,367,409
Capital leases receivable (Note 6)	430,904
Intergovernmental receivables (Note 8)	312,211
Other receivables (Note 9)	221,826
Deferred debt issue costs	220,909
Capital assets (Note 10)	36,284,721
Total Assets	<u>51,068,525</u>
LIABILITIES	
Claims payable	579,826
Intergovernmental payables	638,491
Accrued interest payable	167,896
Deferred revenue:	
Property taxes	7,302,603
Other	17,250
Other payables	207,461
Long-term liabilities	
Due within one year:	
Capital related debt	869,088
Non-capital debt	1,867,275
Due in more than one year:	
Capital related debt	7,118,275
Non-capital debt	8,596,371
Total Liabilities	<u>27,364,536</u>
NET ASSETS	
Invested in capital assets, net of related debt	28,297,358
Restricted net assets:	
Expendable:	
Debt service	499,209
Unemployment compensation	27,983
Capital projects	737,407
Unrestricted	(5,857,968)
Total Net Assets	<u>\$ 23,703,989</u>

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

ADAMS COUNTY
Statement of Activities
For the Year Ended September 30, 2005

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Primary Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 5,323,001	\$ 736,125	\$ 631,192	\$ 580,598	\$ (3,375,086)
Public safety	4,765,391	602,528	798,982	46,122	(3,317,759)
Public works	6,143,945	541,062	46,148	135,062	(5,421,673)
Health and welfare	377,439	146,904	-	-	(230,535)
Culture and recreation	86,563	-	-	-	(86,563)
Education	56,000	-	-	-	(56,000)
Conservation of natural resources	90,812	-	-	49,700	(41,112)
Economic development and assistance	301,769	-	-	-	(301,769)
Interest on long-term debt	951,170	-	-	-	(951,170)
Total Governmental Activities	<u>18,096,090</u>	<u>2,026,619</u>	<u>1,476,322</u>	<u>811,482</u>	<u>(13,781,667)</u>
General revenues:					
Taxes:					
Property taxes				\$ 8,322,803	
Road & bridge privilege taxes				492,965	
Grants and contributions not restricted to specific programs				1,576,962	
Unrestricted investment income				117,278	
Miscellaneous				827,335	
Total General Revenues				<u>11,337,343</u>	
Changes in Net Assets					(2,444,324)
Net Assets - Beginning					<u>26,148,313</u>
Net Assets - Ending					<u>\$ 23,703,989</u>

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

	Major Funds						Total Governmental Funds
	General Fund	Port and Harbor Fund	Countywide Road Maintenance Fund	MRC New Warehouse Fund	Debt Service Fund	Other Governmental Funds	
ASSETS							
Cash	\$ 968,550	\$ 117,964	\$ 93,308	\$ 2,153	\$ 54,363	\$ 800,155	\$ 2,036,493
Cash with fiscal agent	-	-	-	-	737,236	-	737,236
Property tax receivable	5,088,012	20,748	288,345	-	893,542	1,011,956	7,302,603
Accounts receivable, net	-	-	-	-	-	47,923	47,923
Loans receivable	-	3,000,000	-	367,409	-	-	3,367,409
Capital lease receivable	-	-	-	479,966	-	-	479,966
Intergovernmental receivables	194,757	-	-	-	-	117,454	312,211
Other receivables	46,778	-	-	-	-	175,048	221,826
Due from other funds	62,564	36,193	967,384	-	117,610	1,097,477	2,281,228
Advances to other funds	271,500	23,424	55,000	-	2,140	137,000	489,064
Total Assets	<u>\$ 6,632,161</u>	<u>\$ 3,198,329</u>	<u>\$ 1,404,037</u>	<u>\$ 849,528</u>	<u>\$ 1,804,891</u>	<u>\$ 3,387,013</u>	<u>\$ 17,275,959</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Claims payable	\$ 298,686	\$ -	\$ 119,994	\$ -	\$ -	\$ 161,146	\$ 579,826
Intergovernmental payables	354,426	-	6,776	-	-	-	361,202
Due to other funds	2,062,054	-	102,000	-	310,000	84,464	2,558,518
Advances from other funds	27,064	-	10,580	-	100,000	154,584	292,228
Deferred revenue:							
Property taxes	5,088,012	20,748	288,345	-	893,542	1,011,956	7,302,603
Capital leases	-	-	-	479,966	-	-	479,966
Other	-	-	-	-	-	17,250	17,250
Other payables	207,461	-	-	-	-	-	207,461
Total Liabilities	<u>8,037,703</u>	<u>20,748</u>	<u>527,695</u>	<u>479,966</u>	<u>1,303,542</u>	<u>1,429,400</u>	<u>11,799,054</u>
Fund balances:							
Reserved for:							
Advances	-	23,424	55,000	-	2,140	137,000	217,564
Loans receivable	-	3,000,000	-	367,409	-	-	3,367,409
Debt service funds	-	-	-	-	499,209	-	499,209
Unreserved, reported in:							
General fund	(1,405,542)	-	-	-	-	-	(1,405,542)
Special revenue funds	-	154,157	821,342	-	-	1,085,359	2,060,858
Capital project funds	-	-	-	2,153	-	735,254	737,407
Total Fund Balances	<u>(1,405,542)</u>	<u>3,177,581</u>	<u>876,342</u>	<u>369,562</u>	<u>501,349</u>	<u>1,957,613</u>	<u>5,476,905</u>
Total Liabilities and Fund Balances	<u>\$ 6,632,161</u>	<u>\$ 3,198,329</u>	<u>\$ 1,404,037</u>	<u>\$ 849,528</u>	<u>\$ 1,804,891</u>	<u>\$ 3,387,013</u>	<u>\$ 17,275,959</u>

ADAMS COUNTY
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
 September 30, 2005

Exhibit 3-1

	<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$ 5,476,905
Amounts reported for governmental services in the statement of net assets (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	
Capital assets net of depreciation as of 10-1-04	38,801,034
Plus capital outlay expenditures made during the year	791,860
Less depreciation expense recorded during the year	(3,188,641)
Less book value of capital assets sold during the year	(119,533)
Accounts receivable that have accrued at year end but are not available to liquidate liabilities of the current period are not reported in the funds.	75,329
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Capital leases	430,904
Deferred debt issue costs	220,909
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds.	
Long-term liabilities	(18,451,009)
Accrued interest on bonds	(167,896)
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets	
	(165,873)
Total net assets - governmental activities (Exhibit 1)	<u><u>\$ 23,703,989</u></u>

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

ADAMS COUNTY
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2005

Exhibit 4

	Major Funds						Total Governmental Funds
	General Fund	Port and Harbor Fund	Countywide Road Maintenance Fund	MRC New Warehouse Fund	Debt Service Fund	Other Governmental Funds	
REVENUES							
Property taxes	\$ 6,244,068	\$ 288,723	\$ 40,908	-	\$ 726,187	\$ 1,022,917	\$ 8,322,803
Road and bridge privilege taxes	-	-	492,965	-	-	-	492,965
Licenses, commissions and other revenue	373,137	-	-	-	-	118,457	491,594
Fines and forfeitures	252,617	-	32,277	-	-	47,888	332,782
Intergovernmental revenues	1,138,012	-	1,317,212	-	-	1,556,444	4,011,668
Charges for services	107,053	-	-	-	-	899,412	1,006,465
Interest income	51,129	49	6,916	24,291	12,082	25,898	120,365
Miscellaneous revenues	36,723	-	-	17,663	-	43,242	97,628
Total Revenues	8,202,739	288,772	1,890,278	41,954	738,269	3,714,258	14,876,270
EXPENDITURES							
Current:							
General government	4,871,388	-	-	-	-	327,406	5,198,794
Public safety	3,033,112	-	-	-	-	1,330,110	4,363,222
Public works	-	853	1,714,954	-	-	1,649,901	3,365,708
Health and welfare	377,439	-	-	-	-	-	377,439
Culture and recreation	62,633	-	-	-	-	23,930	86,563
Education	56,000	-	-	-	-	-	56,000
Conservation of natural resources	90,812	-	-	-	-	-	90,812
Economic development and assistance	25,658	-	-	-	-	276,111	301,769
Capital outlays	36,640	660,000	14,324	-	-	80,897	791,861
Debt service:							
Principal	1,938,651	87,407	519,759	108,465	540,000	406,705	3,600,987
Interest	535,078	-	35,068	41,954	216,128	39,040	867,268
Total Expenditures	11,027,411	748,260	2,284,105	150,419	756,128	4,134,100	19,100,423
Excess of Revenues over (under) Expenditures	(2,824,672)	(459,488)	(393,827)	(108,465)	(17,859)	(419,842)	(4,224,153)
OTHER FINANCING SOURCES (USES)							
Long-term capital debt issued	73,111	660,000	-	-	-	39,690	772,801
Long-term non-capital debt issued	1,180,000	-	298,970	-	-	199,313	1,678,283
Proceeds from sale of capital assets	656,750	-	8,138	-	-	178,884	843,772
Compensation for loss of capital assets	5,475	-	-	-	-	-	5,475
Transfers in	-	4,000	48,000	-	-	101,474	153,474
Transfers out	(29,581)	-	-	-	-	(123,893)	(153,474)
Transfers in from component unit	-	113,156	-	-	-	-	113,156
Transfers out to component unit	-	(203,168)	-	-	-	-	(203,168)
Lease principal payments	-	-	-	69,604	-	-	69,604
Total Other Financing Sources and Uses	1,885,755	573,988	355,108	69,604	-	395,468	3,279,923
Net Changes in Fund Balances	(938,917)	114,500	(38,719)	(38,861)	(17,859)	(24,374)	(944,230)
Fund Balance - Beginning	(466,625)	3,063,081	915,061	408,423	519,208	1,981,987	6,421,135
Fund Balances - Ending	\$ (1,405,542)	\$ 3,177,581	\$ 876,342	\$ 369,562	\$ 501,349	\$ 1,957,613	\$ 5,476,905

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

Adams County
 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended September 30, 2005

Exhibit 4-1

Net changes in fund balances - total governmental funds (Exhibit 4)	\$ (944,230)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that depreciation of \$3,188,641 exceeded capital outlays of \$791,861 in the current period.	(2,396,780)
In the statement of activities, only gains and losses from the sale of capital assets are reported, whereas in the governmental funds, proceeds from the sale of capital assets increase financial resources and loss from the sale of capital assets decrease financial resources. Thus, the change in net assets differs from the change in fund balances by the difference in the amount of the gain of \$724,232 and the proceeds from the sale of \$843,772 in the current period.	(119,540)
Waste collection revenues recognized on the modified accrual basis in the funds during the current year is increased because current year recognition is required for the statement of activities on the full-accrual basis of accounting.	48,876
In the statement of activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest proceeds increase financial resources. Thus, the change in net assets differs from change in fund balances by the principal collections on the capital leases.	(69,604)
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 of \$3,600,987 exceeded debt proceeds of \$2,451,084	1,149,903
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Capitalize and amortize bond issue costs and deferred interest on refunded bonds	(98,158)
Accrued interest on long-term liabilities	11,169
Increase in liability for compensated absences	(60,443)
An internal service fund is used by management to charge the cost of insurance to individual funds. The net revenue (expense) is reported within governmental activities.	<u>34,483</u>
Change in net assets of governmental activities (Exhibit 2)	<u><u>\$ (2,444,324)</u></u>

ADAMS COUNTY
Statement of Net Assets
Self-funded Health Insurance Internal Service Fund
September 30, 2005

Exhibit 5

	Governmental Activities
	<u>Internal Service Fund</u>
ASSETS	
Current assets:	
Cash	\$ 30,963
Advances to other funds	9,164
Total Current Assets	<u>40,127</u>
LIABILITIES	
Current liabilities:	
Advances from other funds	206,000
Current portions of long-term non-capital debt:	
Claims and judgments payable	198,655
Total Current Liabilities	<u>404,655</u>
NET ASSETS	
Unrestricted	(364,528)
Total Net Assets	<u>\$ (364,528)</u>

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

ADAMS COUNTY
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Self-funded Health Insurance Internal Service Fund
For the Year Ended September 30, 2005

Exhibit 6

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Operating Revenues	
Charges for services	\$ 1,461,049
Operating Expenses	
Claims payment	1,243,176
Insurance premiums	<u>183,390</u>
Total Operating Expenses	<u>1,426,566</u>
Operating Income	34,483
Nonoperating Revenues (Expenses)	
Interest income	<u>-</u>
Changes in net assets	34,483
Net Assets - Beginning	<u>(399,011)</u>
Net Assets Ending	<u><u>\$ (364,528)</u></u>

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

ADAMS COUNTY
Statement of Cash Flows - Proprietary Fund
Self-funded Health Insurance Internal Service Fund
For the Year Ended September 30, 2005

Exhibit 7

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Cash Flows From Operating Activities	
Receipts for premiums	\$ 1,461,049
Payments for claims	(1,247,696)
Payments for insurance premiums	<u>(183,390)</u>
Net Cash Provided by Operating Activities	<u>29,963</u>
Cash and Cash Equivalents at Beginning of Year	<u>1,000</u>
Cash and Cash Equivalents at End of Year	<u>\$ 30,963</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 34,483
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Increase in claims and judgments liability	<u>(4,520)</u>
Total Adjustments	<u>(4,520)</u>
Net Cash Provided by Operating Activities	<u>\$ 29,963</u>

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

ADAMS COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2005

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 280,102
Due from other funds	<u>277,290</u>
Total Assets	<u>\$ 557,392</u>
LIABILITIES	
Held in custody for others	<u>\$ 557,392</u>
Total Liabilities	<u>\$ 557,392</u>

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

ADAMS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

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

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

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

B. Blended Component Unit.

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

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

C. Basis of Presentation.

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

ADAMS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

C. Basis of Presentation - Continued

Government-wide Financial Statements:

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

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. Internal service fund balances have been eliminated against the expenses and program revenue. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the county.

Fund Financial Statements:

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

D. Measurement Focus and Basis of Accounting.

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

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

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.

ADAMS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

D. Measurement Focus and Basis of Accounting – Continued

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

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

MRC New Warehouse Fund - Accounts for monies loaned to and a capital lease to Mississippi River Corporation, an industry located in the county.

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

GOVERNMENTAL FUND TYPES

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

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

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

PROPRIETARY FUND TYPES

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

FIDUCIARY FUND TYPES

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

E. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

F. Deposits and Investments.

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

ADAMS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

F. Deposits and Investments - Continued

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

G. Receivables.

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

H. Interfund Transactions and Balances.

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

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

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

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.

ADAMS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

I. Capital Assets – Continued

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

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

J. Long-term liabilities.

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

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

K. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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.

ADAMS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

K. Equity Classifications - Continued

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

L. Property Tax Revenues.

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

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

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

M. Intergovernmental Revenues in Governmental Funds.

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

N. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. 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) Changes in Accounting Standards.

For the fiscal year ended September 30, 2005, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*. GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The provisions of this new statement have been incorporated in the financial statements and the accompanying notes.

ADAMS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

(3) Fund Reclassification

The MRC New Warehouse fund's beginning fund balance of \$408,423 was reclassified from other governmental funds to a beginning fund balance in the MRC New Warehouse fund, effective October 1, 2004, because the MRC New Warehouse Fund became a major fund.

(4) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2005, was \$3,084,794, and the bank balance was \$2,644,037. 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.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

(5) Loans Receivable

Loans receivable balances at September 30, 2005, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Balance Payable
Adams County Port Commission	11/01/97	5.20%	11/17	\$ 3,000,000
Mississippi River Corporation CDBG loan	06/01/92	6.25%	1/13	<u>367,409</u>
Total				<u>\$ 3,367,409</u>

The Adams County Port Commission loan of \$3,000,000 represents the amount of a November 1, 1997 loan agreement between Adams County and the Mississippi Development Bank. This loan receivable has been recorded by the county since the debt was to be repaid from revenues of the Port Commission, provided funds were available. Due to a shortage of funds at the Port Commission, the county made the principal and interest payments totaling \$759,429 before this debt was advance refunded in September, 2003 with the proceeds of the special obligation refunding bonds - Series 2003 (See Note 12).

(6) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2005:

Classes of Property	Amount
Buildings	<u>\$ 1,452,527</u>

ADAMS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

(6) Capital Leases - Continued

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2005, are as follows:

Year Ended September 30	Principal	Interest	Total
2006	\$ 72,259	\$ 15,008	\$ 87,267
2007	75,016	12,251	87,267
2008	77,878	9,389	87,267
2009	80,849	6,418	87,267
2010	83,934	3,333	87,267
2011-2013	40,968	2,663	43,631
Total	\$ 430,904	\$ 49,062	\$ 479,966

As Lessee:

The county is obligated for the following assets acquired through capital leases as of September 30, 2005:

Classes of Property	Governmental Activities
Buildings	\$ 1,767,004
Mobile equipment	1,617,082
Other furniture and equipment	635,705
Total	4,019,791
Less Accumulated Depreciation	(1,239,336)
Leased Property Under Capital Leases	\$ 2,780,455

The following is a schedule by years of the total payments due as of September 30, 2005:

Year Ended September 30	Governmental Activities	
	Principal	Interest
2006	\$ 599,024	\$ 102,496
2007	524,214	77,859
2008	526,568	56,481
2009	283,093	35,228
2010	296,559	21,762
2011-2013	158,206	11,602
Total	\$ 2,387,664	\$ 305,428

ADAMS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

(7) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2005:

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
Major Funds:		
General Fund	Nonmajor Governmental Funds	\$ 62,564
Port and Harbor Fund	General Fund	26,193
Port and Harbor Fund	Nonmajor Governmental Funds	10,000
Countywide Road Maintenance Fund	General Fund	910,384
Countywide Road Maintenance Fund	Debt Service Fund	50,000
Countywide Road Maintenance Fund	Nonmajor Governmental Funds	7,000
Debt Service Fund	General Fund	15,610
Debt Service Fund	Countywide Road Maintenance Fund	102,000
Nonmajor Governmental Funds	General Fund	1,092,577
Nonmajor Governmental Funds	Nonmajor Governmental Funds	4,900
Agency Funds	General Fund	17,290
Agency Funds	Debt Service Fund	260,000
		<u>260,000</u>
Total		<u>\$ 2,558,518</u>

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

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

B. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
Major Funds:		
General Fund	Countywide Road Maintenance Fund	\$ 9,000
General Fund	Nonmajor Governmental Funds	56,500
General Fund	Internal Service Fund	206,000
Port and Harbor	General Fund	23,424
Countywide Road Maintenance Fund	Nonmajor Governmental Funds	55,000
Debt Service Fund	General Fund	2,140
Nonmajor Governmental Funds	General Fund	1,500
Nonmajor Governmental Funds	Nonmajor Governmental Funds	35,500
Nonmajor Governmental Funds	Debt Service Fund	100,000
Internal Service Fund	Countywide Road Maintenance Fund	1,580
Internal Service Fund	Nonmajor Governmental Funds	7,584
		<u>7,584</u>
Total		<u>\$ 498,228</u>

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

ADAMS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

C. Transfers In/Out

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Major Funds:		
Port and Harbor	General Fund	\$ 4,000
Countywide Road Maintenance Fund	Nonmajor Governmental Funds	48,000
Nonmajor Governmental Funds	General Fund	25,581
Nonmajor Governmental Funds	Nonmajor Governmental Funds	<u>75,893</u>
Total		<u><u>\$ 153,474</u></u>

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

(8) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2005 consisted of the following:

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative tag credit	\$ 171,525
State and local gaming revenues	90,129
Department of Corrections for housing inmates	18,628
Adolescent Offenders Program Grant	17,831
Other	<u>14,098</u>
Total	<u><u>\$ 312,211</u></u>

(9) Other Receivables.

The following is a summary of other receivables balances at September 30, 2005:

<u>Description</u>	<u>Amount</u>
Industrial prospect	\$ 175,048
County official	33,798
Other	<u>12,980</u>
Total	<u><u>\$ 221,826</u></u>

ADAMS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

(10) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2005

Governmental activities:

	Balance October 1, 2004	Additions	Deletions	Adjustments	Balance September 30, 2005
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,986,859	\$ 228,124	\$ 4,158	\$ -	\$ 2,210,825
Construction in progress	226,016	14,763	-	-	240,779
Total non-depreciable capital assets	2,212,875	242,887	4,158	-	2,451,604
<u>Depreciable capital assets:</u>					
Infrastructure	69,825,662	-	-	-	69,825,662
Buildings	8,995,523	431,876	178,256	-	9,249,143
Improvements other than buildings	-	-	-	-	-
Mobile equipment	2,533,088	33,913	40,170	956,949	3,483,780
Furniture and equipment	1,090,719	83,185	-	(5,022)	1,168,882
Leased property under capital leases	5,000,711	-	28,993	(951,927)	4,019,791
Total depreciable capital assets	87,445,703	548,974	247,419	-	87,747,258
<u>Less accumulated depreciation for:</u>					
Infrastructure	43,530,708	2,396,999	-	-	45,927,707
Buildings	3,147,577	159,554	86,554	-	3,220,577
Improvements other than buildings	-	-	-	-	-
Mobile equipment	2,098,838	204,753	32,445	538,476	2,809,622
Furniture and equipment	599,800	122,958	-	(5,859)	716,899
Leased property under Capital leases	1,480,621	304,377	13,045	(532,617)	1,239,336
Total accumulated depreciation	50,857,544	3,188,641	132,044	-	53,914,141
Total depreciable capital assets, net	36,588,159	(2,639,667)	115,375	-	33,833,117
Governmental activities capital assets, net	\$ 38,801,034	\$ (2,396,780)	\$ 119,533	\$ -	\$ 36,284,721

ADAMS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

(10) Capital Assets - Continued

Depreciation expense was charged to the following functions:

	Amount
<u>Governmental Activities:</u>	
General government	\$ 147,038
Public safety	357,539
Public works	2,684,064
Total governmental activities depreciation expense	\$ 3,188,641

As of September 30, 2005, the county has no commitments with respect to unfinished capital projects:

(11) 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 \$750,000 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, 2005, to January 1, 2006. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

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

The county has purchased coinsurance which functions on two separate stop loss coverages: specific and aggregate. These coverages are purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$45,000, and the aggregate coverage begins when the aggregate claims submitted exceed \$50,000. The Coinsurer is not liable for claims in excess of \$1,000,000 per participant.

ADAMS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

(11) Claims and Judgments – Continued

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). At September 30, 2005, the amount of these liabilities was \$198,655. An analysis of claims activities is presented below:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2003-2004	\$ 185,920	1,392,881	1,375,626	\$ 203,175
2004-2005	\$ 203,175	1,243,176	1,247,696	\$ 198,655

(12) Long-term Debt.

Debt outstanding as of September 30, 2005, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Port bonds	\$ 50,000	7.20%	05/06
Debt refunding bonds - Series 2002	3,370,000	3.0/4.4%	08/12
Taxable urban renewal bonds - Series 2002	690,000	6.51%	04/12
Total general obligation bonds	<u>\$ 4,110,000</u>		
B. Limited Obligation Bonds:			
Special obligation refunding bonds - Series 2003	<u>\$ 7,960,000</u>	2.6 - 5.0%	07/24
C. Capital Leases:			
Energy efficient equipment	\$ 578,190	5.10%	07/10
Road equipment	60,566	4.94%	07/06
Energy efficient equipment	494,002	4.85%	08/12
Sheriff vehicles	34,938	2.72%	05/06
Computer equipment	74,956	4.05%	02/08
E-911 equipment	440,339	4.15%	11/09
Road equipment	133,288	2.94%	09/08
Sheriff vehicles	73,111	3.00%	10/07
Road equipment	498,283	3.59%	06/08
Total capital leases	<u>\$ 2,387,673</u>		

ADAMS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

(12) Long-term Debt – Continued

D. Other Loans:				
CDBG loan	\$	367,408	6.25%	01/13
CAP loan		433,094	3.75%	04/11
Adams County Port revolving loan		326,819	3.00%	03/09
Revenue shortfall loan 2003		304,617	3.67%	08/06
Capital expenditure loan 2003		338,000	2.60%	08/08
Market Street building renovation		242,944	1.25%	12/12
Lewis Drive capital expenditure loan 2004		244,195	3.63%	09/09
Taxable refunding notes, Series 2005		1,180,000	6.00%	09/10
Negotiable note, Series 2005		572,593	3.00%	03/10
Industrial Property acquisition - Venco		39,690	3.00%	01/25
		<u> </u>		
Total other loans	\$	<u>4,049,360</u>		

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

Year Ending September 30	General Obligation Bonds		Special Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 555,000	\$ 184,978	\$ -	\$ 353,795	\$ 1,073,937	\$ 167,628
2007	530,000	163,095	445,000	353,795	753,850	125,644
2008	550,000	139,761	465,000	342,225	782,497	94,899
2009	575,000	115,502	480,000	328,740	692,592	62,728
2010	605,000	89,399	495,000	312,180	477,144	32,206
2011 - 2015	1,295,000	93,105	2,835,000	1,233,643	269,340	12,689
2016 - 2020	-	-	2,655,000	479,500	-	-
2021 - 2025	-	-	585,000	74,750	-	-
2024 - 2028	-	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>\$ 4,110,000</u>	<u>\$ 785,840</u>	<u>\$ 7,960,000</u>	<u>\$ 3,478,628</u>	<u>\$ 4,049,360</u>	<u>\$ 495,794</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2005, the amount of outstanding debt was equal to 7.16% 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, 2005, \$9,425,000 of bonds outstanding were considered defeased.

ADAMS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

(12) Long-term Debt – Continued

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2005:

	Balance Oct. 1, 2004	Additions	Reductions	Balance Sept. 30, 2005	Amount due within one year
Bonds and notes payable:					
General obligation bonds	\$ 4,650,000	\$ -	\$ 540,000	\$ 4,110,000	\$ 555,000
Special obligation bonds	7,960,000	-	-	7,960,000	-
Capital leases	2,966,555	571,394	1,150,285	2,387,664	599,024
Other loans	4,080,373	1,879,690	1,910,702	4,049,361	1,073,937
	<u>19,656,928</u>	<u>2,451,084</u>	<u>3,600,987</u>	<u>18,507,025</u>	<u>2,227,961</u>
Less deferred amount on refundings	(626,037)	-	(61,619)	(564,418)	-
Total bonds and notes payable	<u>19,030,891</u>	<u>2,451,084</u>	<u>3,539,368</u>	<u>17,942,607</u>	<u>2,227,961</u>
Compensated absences	249,304	60,443	-	309,747	309,747
Claims and judgements	<u>203,175</u>	<u>1,243,176</u>	<u>1,247,696</u>	<u>198,655</u>	<u>198,655</u>
Total	<u>\$19,483,370</u>	<u>\$ 3,754,703</u>	<u>\$ 4,787,064</u>	<u>\$18,451,009</u>	<u>\$ 2,736,363</u>

(13) Deficits Fund Balance of Individual Funds.

The following funds had deficit fund balances at September 30, 2005:

Fund	Deficit Amount
General fund	\$ 1,405,542
Special Revenue Funds:	
Homeland Security Grant	\$ 11,008
MS Victims of Crime	\$ 11,679
Airport	\$ 7,484
Waste Collection and Disposal	\$ 113,204
Adams County Drug Court	\$ 10,944

The following fund had a deficit retained earnings balance at September 30, 2005:

Fund	Deficit Amount
Internal Service Fund:	
Self-funded health insurance	\$ 364,528

(14) 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

ADAMS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

(14) Contingencies – Continued

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.

Hospital Revenue Bond Contingencies - The county issues revenue bonds to provide funds for constructing and improving capital facilities of the Natchez Regional Medical Center. Revenue bonds are reported as a liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the county remains contingently liable for the retirement of these bonds because the full faith, credit and taxing power of the county is secondarily pledged in case of default by the hospital. The principal amount of hospital revenue bonds outstanding at September 30, 2005, is \$10,250,194.

Airport Revenue Note Contingencies – The county issued revenue notes to provide funds for constructing and improving capital facilities of the Adams County Airport (the Airport). The revenue notes are reported as a liability of the airport because such debt is payable primarily from the Airport's operations. However, the county remains contingently liable for the retirement of these notes because its state sales tax allocation and homestead exemption reimbursement is secondarily pledged in case of default by the airport. The principal amount of airport revenue notes outstanding at September 30, 2005, is \$53,600.

(15) 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, 2005</u>
Industrial revenue bonds	<u>\$ 86,400,000</u>

(16) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Copiah-Lincoln Community College operates in a district composed of the Counties of Adams, Copiah, Franklin, Jefferson, Lawrence, Lincoln and Simpson. The Adams County Board of Supervisors appoints five of the 27 members of the college board of trustees. The county appropriated \$879,879 for maintenance and support of the college in fiscal year 2005.

Southwest Mississippi Planning and Development District operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Adams County Board of Supervisors appoints four of the 40 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$71,865 for the support of the district in fiscal year 2005.

ADAMS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

(16) Jointly Governed Organizations - Continued

Southwest Mississippi Mental Health Complex operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Adams County Board of Supervisors appoints one of the ten members of the board of commissioners. The county appropriated \$77,000 for its support in fiscal year 2005.

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

(17) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate is 10.75% 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, 2005, 2004 and 2003 were \$509,596, \$522,069 and \$502,320, respectively, equal to the required contributions for each year.

(17) Subsequent Events.

Subsequent to September 30, 2005, the county issued the following debt obligation:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
11/07/05	3.69%	\$ 201,024	Lease	Tax revenues

ADAMS COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

Adams County
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 6,173,895	\$ 6,222,849	\$ 6,222,849	\$ -
Road and bridge privilege taxes				-
Licenses, commissions and other revenue	381,125	372,958	372,958	-
Fines and forfeitures	304,000	252,616	252,616	-
Special assessments				-
Contributions to permanent funds				-
Intergovernmental revenues	1,766,500	1,590,738	1,590,738	-
Charges for services	229,000	104,954	104,954	-
Interest income	50,870	51,054	51,054	-
Miscellaneous revenues	32,400	35,651	35,651	-
Total Revenues	<u>8,937,790</u>	<u>8,630,820</u>	<u>8,630,820</u>	<u>-</u>
EXPENDITURES				
Current:				
General government	3,861,229	4,073,169	4,073,169	-
Public safety	2,971,740	3,128,790	3,128,790	-
Public works				-
Health and welfare	348,049	377,023	377,023	-
Culture and recreation	59,762	62,534	62,534	-
Education	417,414	412,036	412,036	-
Conservation of natural resources	206,849	91,053	91,053	-
Economic development and assistance	23,800	25,658	25,658	-
Capital outlays	56,844			-
Debt service:				-
Principal	1,072,283	695,448	695,448	-
Interest	553,832	526,953	526,953	-
Total Expenditures	<u>9,571,802</u>	<u>9,392,664</u>	<u>9,392,664</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>(634,012)</u>	<u>(761,844)</u>	<u>(761,844)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
Other financing sources	1,119,317	3,649,347	3,649,347	-
Other financing uses	(509,396)	(3,152,570)	(3,152,570)	-
Total Other Financing Sources and Uses	<u>609,921</u>	<u>496,777</u>	<u>496,777</u>	<u>-</u>
Net Change in Cash Balance	(24,091)	(265,067)	(265,067)	-
Cash Balance - Beginning	554,000	549,994	549,994	-
Cash Balance - Ending	<u>\$ 529,909</u>	<u>\$ 284,927</u>	<u>\$ 284,927</u>	<u>\$ -</u>

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

Adams County
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Port and Harbor Fund
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive Negative
REVENUES				
Property taxes	\$ 288,009	\$ 284,331	\$ 284,331	\$ -
Road and bridge privilege taxes	-	-	-	-
Licenses, commissions and other revenue	-	-	-	-
Fines and forfeitures	-	-	-	-
Special assessments	-	-	-	-
Contributions to permanent funds	-	-	-	-
Intergovernmental revenues	-	-	-	-
Charges for services	-	-	-	-
Interest income	200	49	49	-
Miscellaneous revenues	-	-	-	-
Total Revenues	<u>288,209</u>	<u>284,380</u>	<u>284,380</u>	<u>-</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	338,209	179,835	179,835	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Education	-	-	-	-
Conservation of natural resources	-	-	-	-
Economic development and assistance	-	-	-	-
Capital outlays	-	660,000	660,000	-
Debt service:				
Principal	-	87,407	87,407	-
Interest	-	-	-	-
Total Expenditures	<u>338,209</u>	<u>927,242</u>	<u>927,242</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>(50,000)</u>	<u>(642,862)</u>	<u>(642,862)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	50,000	751,407	751,407	-
Other financing uses	-	(30,000)	(30,000)	-
Total Other Financing Sources and Uses	<u>50,000</u>	<u>721,407</u>	<u>721,407</u>	<u>-</u>
Net Change in Cash Balance	-	78,545	78,545	-
Cash Balance - Beginning	-	39,418	39,418	-
Cash Balance - Ending	<u>\$ -</u>	<u>\$ 117,963</u>	<u>\$ 117,963</u>	<u>\$ -</u>

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

Adams County
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 County-Wide Road Maintenance Fund
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 34,649	\$ 43,169	\$ 43,169	\$ -
Road and bridge privilege taxes	619,560	604,217	604,217	-
Licenses, commissions and other revenue	-	-	-	-
Fines and forfeitures	54,000	32,277	32,277	-
Special assessments	-	-	-	-
Contributions to permanent funds	-	-	-	-
Intergovernmental revenues	894,360	907,737	907,737	-
Charges for services	-	-	-	-
Interest income	12,000	7,490	7,490	-
Miscellaneous revenues	-	-	-	-
Total Revenues	<u>1,614,569</u>	<u>1,594,890</u>	<u>1,594,890</u>	<u>-</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	1,531,841	1,140,466	1,140,466	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Education	221,242	210,057	210,057	-
Conservation of natural resources	-	-	-	-
Economic development and assistance	-	-	-	-
Capital outlays	-	15,700	15,700	-
Debt service:				
Principal	-	220,789	220,789	-
Interest	-	35,068	35,068	-
Total Expenditures	<u>1,753,083</u>	<u>1,622,080</u>	<u>1,622,080</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>(138,514)</u>	<u>(27,190)</u>	<u>(27,190)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	6,000	628,887	628,887	-
Other financing uses	-	(1,040,250)	(1,040,250)	-
Total Other Financing Sources and Uses	<u>6,000</u>	<u>(411,363)</u>	<u>(411,363)</u>	<u>-</u>
Net Change in Cash Balance	(132,514)	(438,553)	(438,553)	-
Cash Balance - Beginning	475,000	531,655	531,655	-
Cash Balance - Ending	<u>\$ 342,486</u>	<u>\$ 93,102</u>	<u>\$ 93,102</u>	<u>\$ -</u>

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

Adams County
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 MRC Warehouse Fund
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Road and bridge privilege taxes	-	-	-	-
Licenses, commissions and other revenue	-	-	-	-
Fines and forfeitures	-	-	-	-
Special assessments	-	-	-	-
Contributions to permanent funds	-	-	-	-
Intergovernmental revenues	-	63,152	63,152	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous revenues	-	87,267	87,267	-
Total Revenues	-	150,419	150,419	-
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Education	-	-	-	-
Conservation of natural resources	-	-	-	-
Economic development and assistance	-	-	-	-
Debt service:				
Principal	-	108,465	108,465	-
Interest	-	41,954	41,954	-
Total Expenditures	-	150,419	150,419	-
Excess of Revenues over (under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Other financing sources	-	-	-	-
Other financing uses	-	-	-	-
Total Other Financing Sources and Uses	-	-	-	-
Net Change in Cash Balance	-	-	-	-
Cash Balance - Beginning	2,153	2,153	2,153	-
Cash Balance - Ending	<u>\$ 2,153</u>	<u>\$ 2,153</u>	<u>\$ 2,153</u>	<u>\$ -</u>

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

ADAMS COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2005

Notes to the Required Supplementary Information

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types			
	General Fund	Port and Harbor Fund	Countywide Road Maintenance Fund	MRC New Warehouse Fund
Budget (Cash Basis)	\$ (265,067)	\$ 78,545	\$ (438,553)	\$ -
Increase (Decrease)				
Net adjustments for revenue accruals	743,689	30,140	594,359	30,743
Net adjustments for expenditure accruals	(1,417,539)	5,815	(194,525)	(69,604)
GAAP Basis	<u>\$ (938,917)</u>	<u>\$ 114,500</u>	<u>\$ (38,719)</u>	<u>\$ (38,861)</u>

ADAMS COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2005

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

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

ADAMS COUNTY

SUPPLEMENTAL INFORMATION

ADAMS COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2005

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARDS			
U. S. Department of Justice - Office of Justice Programs/ Passed-through the Mississippi Department of Public Safety			
Edward Byrne Memorial drug court grant	16.540	3JD1011	\$ 162,681
U. S. Department of Health and Human Services/Passed-through the Mississippi Department of Human Services			
Temporary assistance for needy families (AOP)	93.558	111W151	178,585
Temporary assistance for needy families (Family First)	93.558	313D341	146,904
Total U.S. Department of Health and Human Services			<u>325,489</u>
Total expenditures of Major Federal Programs			<u>488,170</u>
OTHER FEDERAL AWARDS			
U. S. Department of Health and Human Services/Passed-through the Mississippi Department of Human Services			
AED Grant	14.219		<u>7,711</u>
U. S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority (MDA)			
CDBG - Venco Project	14.228	1121-04-001-ED-01	<u>49,700</u>
U. S. Department of Justice - Office of Justice Programs/ Passed-through the Mississippi Department of Public Safety			
Juvenile accountability incentive block grant	16.523		41,454
Crime Assistance Program - D. A. Victims of Crime	16.575	2-VA-1011	36,885
Edward Byrne Memorial State and Local Law Enforcement assistance discretionary grants programs - metro narcotics	16.579	4NM1011	65,207
Local law enforcement block grant	16.592	2000LBBX024	60,112
Total U. S. Department of Justice			<u>203,658</u>
U. S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation			
Highway planning and construction	20.205	N/A	<u>3,080</u>
Department of Homeland Security (FEMA) Passed through MEMA			
Homeland Security - State Domestic Preparedness - Equipment	97.007	05HS001	115,791
FEMA Cert Grant	97.023		96
Disaster Grant - Public Assistance	97.036		26,134
Assistance to Firefighters grant program	97.044	EMU-2004-FG-01245	9,450
Total Department of Homeland Security			<u>151,471</u>
Total Expenditures of Other Federal Awards			<u>415,620</u>
Total expendiures of Federal Awards			<u>903,790</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

Note B - Loan Guarantee

The balance outstanding at September 30, 2005 of a federal award received in a previous year under CFDA #14.228 and expended in the form of a loan made to Mississippi River Corporation is \$367,408.

ADAMS COUNTY

SPECIAL REPORTS

SWITZER, HOPKINS & MANGE

Certified Public Accountants

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

JOHN M. JONES, CPA 1921 - 1983

INDEPENDENT AUDITORS' REPORT ON 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
Adams County, Mississippi

We have audited the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Adams County, Mississippi, as of and for the year ended September 30, 2005, which collectively comprise the county's basic primary government financial statements, and have issued our report thereon dated June 9, 2006. The auditors' report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units and the county did not maintain adequate internal controls to assure the existence, completeness and valuation of fines receivable as required by accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Adams County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the primary government financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Adams County, Mississippi's ability to initiate, record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05-2 through 05-7.

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, of the reportable conditions described above, we consider items 05-4 and 05-6 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Adams County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 05-1.

Members of the Board of Supervisors
Page 2

We also noted certain instances of noncompliance that we have reported to the management of Adams County, Mississippi, in our Limited Internal Control and Compliance Review Management Report dated June 9, 2006, included within this document.

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

Natchez, Mississippi
June 9, 2006

A handwritten signature in cursive script that reads "Switzer Hopkins & Menge".

SWITZER, HOPKINS & MANGE

Certified Public Accountants

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

JOHN M. JONES, CPA 1921 - 1983

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

Members of the Board of Supervisors
Adams County, Mississippi

Compliance

We have audited the compliance of Adams County, Mississippi, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2005. Adams County, Mississippi's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Adams County, Mississippi's management. Our responsibility is to express an opinion on Adams County, Mississippi's compliance based on our audit.

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

In our opinion, Adams County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants 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.

Members of the Board of Supervisors
Page 2

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

Natchez, Mississippi
June 9, 2006

Sventzer Hopkin & Mang

SWITZER, HOPKINS & MANGE

Certified Public Accountants

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

JOHN M. JONES, CPA 1921 - 1983

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

Members of the Board of Supervisors
Adams County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Adams County, Mississippi, as of and for the year ended September 30, 2005. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures, as we considered necessary in the circumstances.

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

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

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

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

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

Natchez, Mississippi
June 9, 2006



ADAMS COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2005

Schedule 1

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

ADAMS COUNTY
 Schedule of Emergency Purchases
 For the Year Ended September 30, 2005

Schedule 2

Date	Item Purchased	Amount Paid	Vendor	Reason for Emergency Purchase
11/15/2004	Boiler with vertical jacketed storage tanks, circulating pump, mixing valves, AQUA STAT and necessary valves and material to install	\$ 31,640.00	Natchez Heating & Cooling	Immediate restoration of a boiler in a public building.
1/4/2005	Parts and labor to repair 2002 Dodge Ram 2500 Cargo Van	\$ 457.45	A-B Motor Company, Inc.	Immediate restoration of Coroner's van.

ADAMS COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2005

Schedule 3

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section 1: Summary of Auditors' Results

Financial Statements:

- | | | |
|----|--|-------------|
| 1. | Type of auditors' report issued on the primary government financial statements: | |
| | Governmental activities | Qualified |
| | Major Funds: | |
| | General Fund | Unqualified |
| | Port and Harbor Fund | Unqualified |
| | Countywide Road Maintenance Fund | Unqualified |
| | MRC New Warehouse Fund | Unqualified |
| | Debt Service Fund | Unqualified |
| | Aggregate Remaining Fund Information | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness(es) identified? | Yes |
| | b. Reportable condition(s) identified that are not considered to be material weaknesses? | Yes |
| 3. | Noncompliance material to the primary government financial statements? | Yes |

Federal Awards:

- | | | |
|-----|--|-------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness(es) identified? | No |
| | b. Reportable condition(s) identified that are not considered to be material weaknesses? | No |
| 5. | Type of auditors' report issued on compliance for major federal program: | Unqualified |
| 6. | Any audit finding(s) reported as required by Section __.510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs. | |
| | a. Temporary assistance for needy families, CFDA No. 93.558 | |
| | b. Edward Byrne Memorial drug court grant, CFDA No. 16.540 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would required the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315 (b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

Board of Supervisors.

05-1. Finding

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

Recommendation

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

Board of Supervisors' Response

We have adopted a repayment schedule to make certain these loans are repaid within the year.

Chancery Clerk.

05-2. Finding

The county collects road and bridge privilege taxes from the State of Mississippi on a monthly basis and is required to remit a portion of these taxes to the City of Natchez and the Natchez-Adams County School District. These taxes are generally remitted to the City and the School District the month following the month of receipt.

We found that taxes collected in August, 2004 for the School District had not been paid as of September 30, 2005. In addition, taxes collected in February, 2005 for the City and the School District were paid to them in March, and then, again, in April, 2005. The net result is that the County had overpaid the City and the School District as of September 30, 2005.

Recommendation

We recommend that the County review and strengthen its procedures for accounting for road and bridge privilege taxes.

Chancery Clerk's Response

The County has adopted policies that will assure that these taxes are paid timely.

05-3. Finding

The Board of Supervisors authorized the sale of certain assets at auction. A check from the auction company dated February 16, 2005 for the proceeds of the sale was not deposited by the County until January 9, 2006.

Recommendation

The County should review their procedures for tracking the receipt of proceeds from the sale of items at auction.

Chancery Clerk's Response

We have established a system to make sure these receipts are properly received and deposited.

Circuit Clerk.

05-4. Finding

As reported in prior year audits, cash receipts as shown on deposit slips and recorded in the Circuit Clerk's cash journals are not deposited to his bank clearing accounts on a daily, or other timely basis. We found currency deposits credited to the bank clearing accounts in May, 2006 that were dated 10/20/2004 (\$3,750.00), 2/14/2005 (\$2,065.00), 2/22/2005 (\$835.00), 6/24/2005 (\$2,495.00), 7/18/2005 (\$1,276.50), and 8/5/2005 (\$185.00). Another currency deposit credited to the bank clearing account in April, 2006 was dated 8/16/2005 (\$135.00).

Receipt numbers for these currency deposits were not shown on the deposit slips.

Recommendation

Failure to deposit cash receipts, particularly currency, within a reasonable time period represents a serious breakdown in internal controls. Deposits should be made to the bank accounts daily, and any deposits (checks or currency) listed as outstanding on the bank reconciliation for more than two (2) days should be investigated. Receipt numbers should be listed on deposit slips to identify which receipts are included in each deposit.

Circuit Clerk's Response

The Circuit Clerk did not respond to this finding.

05-5. Finding

Payroll expenses paid by the County for the benefit of the Circuit Clerk were not reimbursed to the County in a timely manner. At September 30, 2005, the County had not been reimbursed for the Circuit Clerk's office payroll for July and August, 2005.

Various checks written by the Circuit Clerk to the County for repayment of fees or payroll due the County were returned as not sufficient funds (NSF). The NSF checks were often not corrected by the Circuit Clerk in a timely manner. For example, the Circuit Clerk's payment for the September 2004 payroll was deposited October 4, 2004, returned as NSF, and was not re-deposited until October 29, 2004; the payment for November 2004 payroll was deposited January 14, 2005, returned NSF, and was not re-deposited until January 26, 2006.

Recommendation

Failure of the Circuit Clerk to reimburse the County in a timely manner amounts to an unauthorized loan to the Circuit Clerk. Any payments due the County should be made in a timely manner.

Circuit Clerk's Response

The Circuit Clerk did not respond to this finding.

05-6. Finding

The Circuit Clerk collects certain amounts, such as restitution, garnishments, bonds, etc., for the benefit of others. As we reported in the prior year audit, the Circuit Clerk did not maintain subsidiary ledgers showing to whom those amounts were owed. During the fiscal year ended September 30, 2005, the Circuit Clerk established subsidiary ledgers and accounted for a large portion of the amounts owed. However, as of September 30, 2005, there was still approximately \$44,900 unaccounted for.

Recommendation

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

Circuit Clerk. - continued

these liabilities can be paid in a timely fashion.

Circuit Clerk's Response

The Circuit Clerk did not respond to this finding.

Inventory control.

05-7. Finding

We found one instance during the fiscal year where assets were removed from inventory, but no documentation could be found to support the removal. The Inventory Clerk recalls that these assets were sold at auction, but the statement from the auction company could not be located.

Recommendation

Additions to and removals from inventory should require documentation.

Response

I will make sure I have all documentation to support the removal of inventory assets.

Section 3: Federal Award Findings and Questioned Costs

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