

ADAMS COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2008

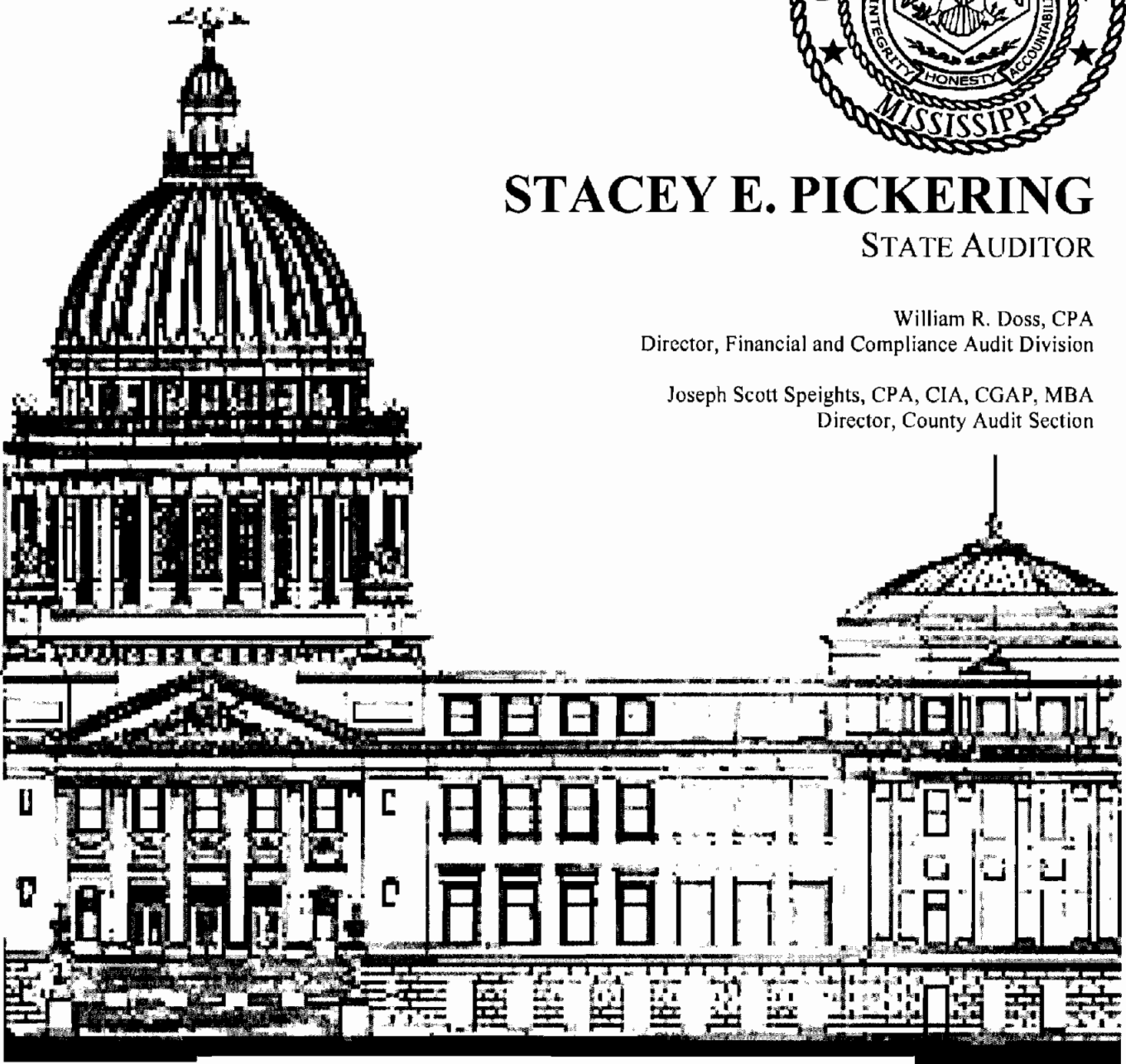


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

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Director, County Audit Section



A Report from the County Audit Section

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ADAMS COUNTY

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ADAMS COUNTY

FINANCIAL SECTION

ADAMS COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

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, 2008, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements do not include financial data for the county's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The county has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component units, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Adams County, Mississippi, as of September 30, 2008, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Adams County, Mississippi, as of September 30, 2008, and the respective changes in financial position, and, where applicable, cash flows 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 October 28, 2009, on our consideration of Adams County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

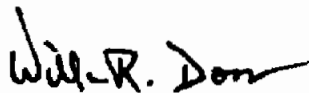
Adams County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

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

Our audit was conducted for the purpose of forming opinions on the 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.



STACEY E. PICKERING
State Auditor



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

October 28, 2009

ADAMS COUNTY

FINANCIAL STATEMENTS

ADAMS COUNTY

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ADAMS COUNTY
Statement of Net Assets
September 30, 2008

Exhibit I

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
ASSETS	
Cash	\$ 4,816,296
Investments	728,980
Property tax receivable	11,607,314
Accounts receivable (net of allowance for uncollectibles of \$909,861)	168,612
Fines receivable (net of allowance for uncollectibles of \$2,002,231)	667,401
Loans receivable (net of allowance for uncollectibles of \$175,048)	3,114,191
Capital leases receivable	216,429
Intergovernmental receivables	908,633
Other receivables	7,141
Deferred charges - issuance cost	125,579
Capital assets:	
Land and construction in progress	5,408,341
Other capital assets, net	32,111,167
Total Assets	<u>59,880,084</u>
LIABILITIES	
Claims payable	1,198,490
Claims and judgments payable	296,661
Intergovernmental payables	376,174
Accrued interest payable	136,541
Deferred revenue	11,619,728
Other payables	34,592
Long-term liabilities	
Due within one year:	
Capital debt	1,306,106
Non-capital debt	1,264,996
Due in more than one year:	
Capital debt	8,048,264
Non-capital debt	2,800,352
Total Liabilities	<u>27,081,904</u>
NET ASSETS	
Invested in capital assets, net of related debt	28,165,138
Restricted:	
Expendable:	
General government	295,744
Debt service	618,749
Public safety	422,943
Public works	5,446,007
Health and welfare	5,465
Unemployment compensation	28,204
Capital projects	3,431,905
Unrestricted	(5,615,975)
Total Net Assets	<u>\$ 32,798,180</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, 2008

Exhibit 2

Functions/Programs	Program Revenues			Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions		
Primary government:					
Governmental activities:					
General government	\$ 6,148,913	1,433,098	1,165,159		(3,550,656)
Public safety	5,600,972	490,879	902,005	1,403	(4,206,685)
Public works	5,931,764	515,911	535,591	4,043,736	(836,526)
Health and welfare	520,617		236,646		(283,971)
Culture and recreation	69,498			2,550	(66,948)
Education	139,391				(139,391)
Conservation of natural resources	127,378				(127,378)
Economic development and assistance	488,462			20,316	(468,146)
Interest on long-term debt	739,826				(739,826)
Total Governmental Activities	\$ 19,766,821	2,439,888	2,839,401	4,068,005	(10,419,527)
General revenues:					
Property taxes					\$ 10,675,674
Road & bridge privilege taxes					576,424
Grants and contributions not restricted to specific programs					1,647,981
Unrestricted investment income					57,313
Miscellaneous					642,871
Special item (Sale of investment property)					2,669,389
Total General Revenues, Special Item					16,269,652
Changes in Net Assets					5,850,125
Net Assets - Beginning					26,587,586
Prior period adjustments					360,469
Net Assets - Beginning, as restated					26,948,055
Net Assets - Ending					\$ 32,798,180

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

ADAMS COUNTY
Balance Sheet - Governmental Funds
September 30, 2008

Exhibit 3

	Major Funds					Total Governmental Funds
	General Fund	Corrections Corporation of America Fund	Port and Harbor Fund	Industrial Property Acquisitions Fund	Other Governmental Funds	
ASSETS						
Cash	\$ 702,229	40,027	809	2,305,169	1,764,707	4,812,941
Investments					728,980	728,980
Property tax receivable	8,918,310		118,221		2,570,783	11,607,314
Accounts receivable (net of allowance for uncollectibles of \$909,861)					168,612	168,612
Fines receivable (net of allowance for uncollectibles of \$2,002,231)	667,401					667,401
Loans receivable (net of allowance for uncollectibles of \$175,048)			2,875,000		239,191	3,114,191
Capital leases receivable	191,347	649,434			216,429	216,429
Intergovernmental receivables	7,141				67,852	908,633
Other receivables	131,361		2,680	710,000	2,240,641	7,141
Due from other funds	28,735				12,990	3,084,682
Advances to other funds						41,725
Total Assets	\$ 10,646,524	689,461	2,996,710	3,015,169	8,010,185	25,358,049
LIABILITIES AND FUND BALANCES						
Liabilities:						
Claims payable	\$ 215,001	662,834	120		320,535	1,198,490
Intergovernmental payables	332,731				28,916	361,647
Due to other funds	2,681,565		42,000	55,000	320,644	3,099,209
Advances from other funds	4,460				37,265	41,725
Deferred revenue	9,585,711		118,221		2,955,824	12,659,756
Other payables	34,592					34,592
Total Liabilities	12,854,060	662,834	160,341	55,000	3,663,184	17,395,419

ADAMS COUNTY
Balance Sheet - Governmental Funds
September 30, 2008

Exhibit 3 (Continued)

	Major Funds					Total Governmental Funds
	General Fund	Corrections Corporation of America Fund	Port and Harbor Fund	Industrial Property Acquisitions Fund	Other Governmental Funds	
Fund balances:						
Reserved for:						
Debt service					755,290	755,290
Loans receivable	28,735		2,875,000		239,191	3,114,191
Advances					12,990	41,725
Unemployment compensation					28,204	28,204
Unreserved - undesignated, reported in:						
General Fund	(2,236,271)					(2,236,271)
Special Revenue Funds		26,627	(38,631)		3,014,638	3,002,634
Capital Project Funds				2,960,169	296,688	3,256,857
Total Fund Balances	(2,207,536)	26,627	2,836,369	2,960,169	4,347,001	7,962,630
Total Liabilities and Fund Balances	\$ 10,646,524	689,461	2,996,710	3,015,169	8,010,185	25,358,049

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

ADAMS COUNTY

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2008

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 7,962,630
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$57,394,501.	37,519,508
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	836,013
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(13,419,718)
Accrued interest payable is not due and payable in the current period and, therefore, are not reported in the funds.	(136,541)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	204,015
Internal Service Funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	(293,306)
Bond issuance cost, net of amortization	<u>125,579</u>
Total Net Assets - Governmental Activities	<u>\$ 32,798,180</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, 2008

Exhibit 4

	Major Funds					Total
	General Fund	Corrections Corporation of America Fund	Port and Harbor Fund	Industrial Property Acquisitions Fund	Other Governmental Funds	Governmental Funds
REVENUES						
Property taxes	\$ 8,188,284		150,207		2,337,183	10,675,674
Road and bridge privilege taxes					576,424	576,424
Licenses, commissions and other revenue	378,666		24		28,921	407,611
Fines and forfeitures	359,128				50,593	409,721
Intergovernmental revenues	1,205,901	3,811,402			3,536,755	8,554,058
Charges for services	59,268				895,887	955,155
Interest income	51,486			946	36,089	88,521
Miscellaneous revenues	162,075				16,724	178,799
Total Revenues	10,404,808	3,811,402	150,231	946	7,478,576	21,845,963
EXPENDITURES						
Current:						
General government	5,281,782				514,684	5,796,466
Public safety	3,919,028				1,395,772	5,314,800
Public works		3,784,775	120	320,019	3,758,076	7,862,990
Health and welfare	396,976				6,922	396,976
Culture and recreation	62,576				139,391	69,498
Education	127,378				178,847	127,378
Conservation of natural resources	34,158			275,457		488,462
Economic development and assistance						
Debt service:						
Principal	1,065,705		214,877		1,436,518	2,717,100
Interest	339,503		14,304		305,978	659,785
Total Expenditures	11,227,106	3,784,775	229,301	595,476	7,736,188	23,572,846
Excess of Revenues over (under) Expenditures	(822,298)	26,627	(79,070)	(594,530)	(257,612)	(1,726,883)

ADAMS COUNTY
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2008

	Major Funds					Total Governmental Funds
	General Fund	Corrections Corporation of America Fund	Port and Harbor Fund	Industrial Property Acquisitions Fund	Other Governmental Funds	
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets	5,940			369,873		375,813
Transfers in				24,000	138,287	162,287
Transfers out					(162,287)	(162,287)
Lease principal payments					77,878	77,878
Special item:						
Proceeds from sale of investment property				2,969,389		2,969,389
Total Other Financing Sources and Uses	5,940	0	0	3,363,262	53,878	3,423,080
Net Changes in Fund Balances	(816,358)	26,627	(79,070)	2,768,732	(203,734)	1,696,197
Fund Balances - Beginning	(1,825,312)		3,020,439	191,437	4,502,616	5,889,180
Prior period adjustments	434,134		(105,000)		48,119	377,253
Fund Balances - Beginning, as restated	(1,391,178)	0	2,915,439	191,437	4,550,735	6,266,433
Fund Balances - Ending	\$ (2,207,536)	26,627	2,836,369	2,960,169	4,347,001	7,962,630

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

ADAMS COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2008

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 1,696,197
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$2,330,977 exceeded depreciation of \$867,401 in the current period.	1,463,576
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$15,762 and the proceeds from the sale of \$375,813.	(360,051)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	667,401
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	58,523
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$2,717,100 exceeded debt proceeds.	2,717,100
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:	
Bond issue cost amortization	(86,627)
Change in accrued interest payable	6,586
Change in compensated absences	(111,061)

ADAMS COUNTY

Exhibit 4-1 (Continued)

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, 2008

	<u>Amount</u>
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 payments received increase financial resources. Thus, the change in net assets differs from change in fund balances by the principal collections on the capital leases.	(77,878)
An Internal Service Fund is used by management to charge the cost of insurance to individual funds. The net expense is reported within governmental activities.	<u>(123,641)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>5,850,125</u></u>

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

ADAMS COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2008

Exhibit 5

	Governmental Activities
	Internal Service Fund
ASSETS	
Current assets:	
Cash	\$ 3,355
Total Assets	<u>3,355</u>
LIABILITIES	
Current liabilities:	
Non-capital debt:	
Claims and judgments payable	<u>296,661</u>
Total Current Liabilities	<u>296,661</u>
NET ASSETS	
Unrestricted	(293,306)
Total Net Assets	<u>\$ (293,306)</u>

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

ADAMS COUNTY

Exhibit 6

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund
For the Year Ended September 30, 2008

	Governmental Activities
	Internal Service Fund
Operating Revenues	
Premiums	\$ 1,949,581
Total Operating Revenues	<u>1,949,581</u>
Operating Expenses	
Claims payments	1,740,443
Insurance premiums	352,874
Total Operating Expenses	<u>2,093,317</u>
Operating Income (Loss)	<u>(143,736)</u>
Nonoperating Revenues (Expenses)	
Interest income	222
Other income (expenses)	19,873
Net Nonoperating Revenue (Expenses)	<u>20,095</u>
Net Loss	<u>(123,641)</u>
Changes in Net Assets	(123,641)
Net Assets - Beginning	<u>(169,665)</u>
Net Assets - Ending	<u>\$ (293,306)</u>

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

ADAMS COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2008

Exhibit 7

	Governmental Activities
	Internal Service Fund
Cash Flows From Operating Activities	
Receipts for premiums	\$ 1,953,156
Payments for claims	(1,644,743)
Payments for insurance premiums	(356,449)
Other operating cash receipts	3,575
Net Cash Provided (Used) by Operating Activities	<u>(44,461)</u>
Cash Flows From Noncapital Financing Activities	
Other receipts	19,873
Net Cash Provided (Used) by Noncapital Financing Activities	<u>19,873</u>
Cash Flows From Investing Activities	
Interest on deposits	222
Net Cash Provided (Used) by Investing Activities	<u>222</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(24,366)
Cash and Cash Equivalents at Beginning of Year	<u>27,721</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,355</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (143,736)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
(Increase) decrease in other receivables	3,575
Increase (decrease) in claims and judgments liability	95,700
Total Adjustments	<u>99,275</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (44,461)</u>

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

ADAMS COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2008

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 185,213
Due from other funds	<u>14,527</u>
Total Assets	<u>\$ 199,740</u>
LIABILITIES	
Amounts held in custody for others	\$ 180,133
Other liabilities	5,080
Intergovernmental payables	<u>14,527</u>
Total Liabilities	<u>\$ 199,740</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, 2008

(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
- Tax 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 debt pursuant to a lease agreement.

ADAMS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2008

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.

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 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 Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The county's Proprietary Fund applies all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

ADAMS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2008

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

The county reports the following major Governmental 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.

Corrections Corporation of America Fund – This fund accounts for the grant proceeds used for the infrastructure improvements for the location of a prison facility.

Port and Harbor Fund - This fund is used to account for monies loaned to the Adams County Port Commission, a component unit.

Industrial Property Acquisitions Fund – This fund is used to account for the acquisition of International Paper property.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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 TYPE

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 TYPE

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

ADAMS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2008

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.

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.

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 governmental activities column in the government-wide financial statements. 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 require 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. General infrastructure assets include all roads and bridges and other infrastructure assets.

ADAMS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

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 and estimated useful lives:

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

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

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 straight-line 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, construction or improvement of those assets.

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

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

ADAMS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2008

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved with unreserved classified as designated and undesignated. Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

L. Property Tax Revenues.

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

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

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

M. Intergovernmental Revenues in Governmental Funds.

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

N. Compensated Absences.

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

ADAMS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

(2) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

Explanation	Amount
To correct prior year errors in deferred federal revenue.	\$ 17,251
To correct beginning balances of interfund loans.	360,002
To correct prior year beginning balances of capital assets.	<u>(16,784)</u>
Total prior period adjustments	<u>\$ 360,469</u>

Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.

Explanation	Amount
To correct prior year errors in deferred federal revenue.	\$ 17,251
To correct beginning balances of interfund loans.	<u>360,002</u>
Total prior period adjustments	<u>\$ 377,253</u>

(3) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2008, was \$5,001,509, and the bank balance was \$5,639,862. 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.

Investments:

As provided in Section 91-13-8, Miss. Code Ann. (1972), the following investments of the county are handled through a trust indenture between the county and the trustee related to the construction and operation of the Adams County Administrative Building.

ADAMS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

Investments balances at September 30, 2008, are as follows:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
Hancock Horizon Treasury Securities Money Market Mutual Fund		\$ <u>728,980</u>	AAAm
Total		\$ <u><u>728,980</u></u>	

Interest Rate Risk. The county does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Miss. Code Ann. (1972), limits the maturity period of any investment to no more than one year. The average weighted maturity of the securities in the Hancock Horizon Treasury Security Money Market Fund was less than one year.

Credit Risk. State law limits investments to those authorized by Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The county does not have a formal investment policy that would further limit its investments choices or one that address credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. All of the investments are uninsured and unregistered. The investment in the Hancock Horizon Treasury Money Market Mutual Funds is not backed by the full faith and credit of the federal government.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2008:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 131,361
Other Governmental Funds	General Fund	1,957,038
Industrial Property Acquisitions	General Fund	710,000
Other Governmental Funds	Industrial Property Acquisitions	55,000
Port and Harbor Fund	Other Governmental Funds	2,680
Other Governmental Funds	Port and Harbor Fund	42,000
Other Governmental Funds	Other Governmental Funds	186,603
Agency Funds	General Fund	<u>14,527</u>
Total		\$ <u><u>3,099,209</u></u>

Amounts listed are the tax revenue collected but not settled until October, 2008 and short-term loans to cover cash deficits. All interfund balances are expected to be repaid within one year from the date of the financial statements.

ADAMS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

B. Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 28,735
Other Governmental Funds	Other Governmental Funds	8,530
Other Governmental Funds	General Fund	<u>4,460</u>
Total		<u>\$ 41,725</u>

The purpose of the advances was to provide funds for operations.

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Industrial Property Acquisitions	Other Governmental Funds	\$ 24,000
Other Governmental Funds	Other Governmental Funds	<u>138,287</u>
Total		<u>\$ 162,287</u>

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

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2008, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Community development block grant - state program	\$ 649,434
Legislative tax credit	170,153
Crime victims assistance grant	18,210
Promoting safe and stable families grant	17,659
State aid	16,583
Temporary assistance for needy victims of child abuse grant families grant	15,400
Victims of child abuse grant	11,096
Edward Byrne Memorial Formula grant	7,906
State court improvement program grant	<u>2,192</u>
Total Governmental Activities	<u>\$ 908,633</u>

ADAMS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

(6) Loans Receivable.

Loans receivable balances at September 30, 2008, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Receivable Balance
Mississippi River Corporation CDBG loan	06/1992	6.25%	01/2013	\$ 239,191
Adams County Port Commission	11/1997	5.20%	11/2017	2,875,000
Munford Trust	11/07/03	0.00%	12/2003	175,048
Total				3,289,239
Less: Allowance for doubtful accounts*				175,048
Total (Net of allowance of doubtful accounts)				<u>\$ 3,114,191</u>

* The Munford Trust loan receivable dated 11/07/03 was determined to be uncollectable for the fiscal year 2008.

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2008:

Governmental activities:

	Balance Oct. 1, 2007	Additions	Deletions	Adjustments	Balance Sept. 30, 2008
<u>Non-depreciable capital assets:</u>					
Land	\$ 2,152,144	736,812	14,924		2,874,032
Construction in progress	1,422,455	1,111,854			2,534,309
Option on property	300,000		300,000		
Total non-depreciable capital assets	<u>3,874,599</u>	<u>1,848,666</u>	<u>314,924</u>	<u>0</u>	<u>5,408,341</u>
<u>Depreciable capital assets:</u>					
Infrastructure	70,679,646				70,679,646
Buildings	9,249,143	106,843		347	9,356,333
Mobile equipment	3,641,355	352,087		543,073	4,344,830
Furniture and equipment	1,210,285	23,381	191,685	6,871	1,222,941
Leased property under capital leases	4,386,456		17,596	(484,538)	3,901,918
Total depreciable capital assets	<u>89,166,885</u>	<u>482,311</u>	<u>209,281</u>	<u>65,753</u>	<u>89,505,668</u>

ADAMS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

	Balance Oct. 1, 2007	Additions	Deletions	Adjustments	Balance Sept. 30, 2008
<u>Less accumulated depreciation for:</u>					
Infrastructure	48,443,282	109,398		130	48,552,810
Buildings	3,536,207	159,956		155	3,696,318
Mobile equipment	2,507,112	209,604	149,622	343,110	2,910,204
Furniture and equipment	904,398	88,796	14,532	17,361	996,023
Leased property under capital leases	1,217,718	299,647		(278,219)	1,239,146
Total accumulated depreciation	<u>56,608,717</u>	<u>867,401</u>	<u>164,154</u>	<u>82,537</u>	<u>57,394,501</u>
Total depreciable capital assets, net	<u>32,558,168</u>	<u>(385,090)</u>	<u>45,127</u>	<u>(16,784)</u>	<u>32,111,167</u>
Governmental activities capital assets, net	<u>\$ 36,432,767</u>	<u>1,463,576</u>	<u>360,051</u>	<u>(16,784)</u>	<u>37,519,508</u>

* The adjustments consist of reclassification of paid-off capital leases to mobile equipment and furniture and equipment and to correct prior year errors.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 181,673
Public safety	366,123
Public works	<u>319,605</u>
Total governmental activities depreciation expense	<u>\$ 867,401</u>

Commitments with respect to unfinished capital projects at September 30, 2008, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
State aid project 81-0001-10-009-10	\$ 24,358	October, 2008
State aid project 81-0001-00-052-10	122,622	June, 2009
State aid project 81-0001-40-007-10	254,606	July, 2009

ADAMS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

(8) 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 \$1,000,000 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, 2008, to January 1, 2009. 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 minimum uninsured risk retention to the extent that actual claims submitted exceed the predetermined premium. The county has implemented the following plans to minimize this potential loss:

The county has purchased coinsurance which functions on two separate stop loss coverages: specific and aggregate. These coverages are purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$45,000, and the aggregate policy covers all submitted claims in excess of \$68,600. The coinsurer is not liable for claims in excess of \$1,000,000 per participant.

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, 2008, the amount of these liabilities was \$296,661. 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
2006 – 2007	\$ 141,483	1,308,979	1,249,501	200,961
2007 – 2008	\$ 200,961	1,740,443	1,644,743	296,661

(9) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2008:

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

ADAMS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2008, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 80,849	6,418
2010	83,934	3,333
2011	<u>39,232</u>	<u>2,663</u>
Total	<u>\$ 204,015</u>	<u>12,414</u>

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2008:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Buildings	\$ 1,767,004
Mobile equipment	935,308
Furniture and equipment	<u>1,199,606</u>
Total	3,901,918
Less: Accumulated depreciation	<u>1,239,146</u>
Leased Property Under Capital Leases	<u>\$ 2,662,772</u>

The following is a schedule by years of the total payments due as of September 30, 2008:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 663,938	88,714
2010	629,610	58,440
2011	314,329	29,522
2012	328,680	15,170
2013	<u>36,562</u>	<u>996</u>
Total	<u>\$ 1,973,119</u>	<u>192,842</u>

ADAMS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

(10) Long-term Debt.

Debt outstanding as of September 30, 2008, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
General obligation revenue bonds	\$ 2,040,000	4.125/4.40%	08-2012
Taxable urban renewal bonds	<u>435,000</u>	6.51%	04-2012
Total General Obligation Bonds	<u>\$ 2,475,000</u>		
B. Limited Obligation Bonds:			
Special obligation refunding bonds	<u>\$ 7,050,000</u>	3.45/5.00	07-2024
C. Capital Leases:			
Energy efficient equipment	\$ 248,653	5.10	07-2010
Energy efficient equipment	302,138	4.85	08-2012
E-911 equipment	185,625	4.15	11-2009
Sheriff vehicles	60,543	3.69	11-2008
E-911 tower	83,782	4.59	12-2012
Computer equipment	283,813	4.50	12-2012
Sheriff vehicles	90,571	4.29	03-2010
Voting machines	31,835	4.29	03-2010
Shelving units	88,235	4.23	07-2010
Road equipment	<u>597,924</u>	4.31	08-2012
Total Capital Leases	<u>\$ 1,973,119</u>		
D. Other Loans:			
Community development block grant	\$ 239,191	6.25%	01-2013
MDA Cap loan – Mississippi River Corporation	215,727	3.75%	04-2011
Adams County port revolving loan	85,362	3.00%	03-2009
Market Street building renovation	154,658	1.25%	12-2012
Lewis Drive project	64,347	3.63%	05-2009
Taxable refunding notes	515,000	6.00%	09-2010
Negotiable note	176,593	3.00%	03-2010
Revenue shortfall loan	<u>461,329</u>	4.02%	10-2010
Total Other Loans	<u>\$ 1,912,207</u>		

ADAMS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2009	\$ 575,000	115,502	480,000	328,740
2010	605,000	89,399	495,000	312,180
2011	630,000	61,313	515,000	293,618
2012	665,000	31,792	540,000	273,275
2013			565,000	251,000
2014 – 2018			3,290,000	801,500
2019 – 2023			1,010,000	160,750
2024 – 2028			155,000	7,750
Total	\$ 2,475,000	298,006	7,050,000	2,428,813

Year Ending September 30	Other Loans	
	Principal	Interest
2009	\$ 852,165	79,227
2010	630,842	44,779
2011	290,434	14,723
2012	91,434	3,819
2013	47,332	558
Total	\$ 1,912,207	143,106

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, 2008, the amount of outstanding debt was equal to 5.02% of the latest property assessments.

ADAMS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2008:

	Balance Oct. 1, 2007	Additions	Reductions	Adjustments	Balance Sept. 30, 2008	Amount due within one Year
Governmental Activities:						
General obligation bonds	\$ 3,025,000		550,000		2,475,000	575,000
Limited obligation bonds	7,515,000		465,000		7,050,000	480,000
Capital leases	2,722,759		749,640		1,973,119	663,938
Other loans	2,864,667		952,460		1,912,207	852,165
	16,127,426	0	2,717,100	0	13,410,326	2,571,103
Less deferred amount on refunded bonds	(443,182)	0	(57,695)	0	(385,487)	0
Total	15,684,244	0	2,659,405	0	13,024,839	2,571,103
Compensated absences	283,818	111,061			394,879	
Claims and judgments*	200,961	0	0	(200,961)	0	0
Total	\$ 16,169,023	111,061	2,659,405	(200,961)	13,419,718	2,571,103

* Claims and judgments were shown incorrectly as long-term debt in the prior year.

(11) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2008:

Fund	Deficit Amount
General Fund	\$ 2,207,536
Mississippi victims of crime	11,797
Airport	23,068
Waste collection and disposal	47,393
County fire	138,980
Juvenile drug court	17,730
Community and development authority	7,699

(12) Contingencies.

Federal Grants - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county.

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.

ADAMS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

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, 2008, is \$17,025,000.

Airport Revenue Note Contingencies - The county issues revenue notes to provide funds for constructing and improving capital facilities of the Adams County 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 it's 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, 2008, is \$39,148.

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

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

Description	Balance at Sept. 30, 2008
Industrial revenue bonds	\$ <u>7,700,000</u>

(14) 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 \$793,396 for maintenance and support of the college in fiscal year 2008.

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 2008.

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 \$77,143 for its support in fiscal year 2008.

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.

ADAMS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

(15) 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 rate at September 30, 2008 was 11.85% 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, 2008, 2007 and 2006 were \$669,377, \$634,238 and \$584,748, respectively, equal to the required contributions for each year.

(16) Subsequent Events.

Subsequent to September 30, 2008, Adams County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>		<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
11/03/08	3.36%	\$	105,809	Capital lease	Ad valorem taxes
11/03/08	3.36%		24,599	Capital lease	Ad valorem taxes
04/03/09	3.36%		62,000	Capital lease	Ad valorem taxes
08/19/09	3.36%		178,500	Capital lease	Ad valorem taxes
10/15/09	3.36%		80,837	Capital lease	Ad valorem taxes

(17) Special Item.

During 2007, Adams County, through the Natchez-Adams County Economic and Community Development Authority, entered into an agreement with the International Paper Company to purchase property owned by the International Paper Company. During this time, RSFC Land management, LLC, showed an interest in the property and reached an agreement with Adams County to purchase a portion of the property. The net proceeds from the sale of the property were \$2,669,389.

ADAMS COUNTY

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ADAMS COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

ADAMS COUNTY

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ADAMS COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2008

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 8,803,860	8,190,114	8,190,114	
Licenses, commissions and other revenue	499,000	395,917	395,917	
Fines and forfeitures	459,457	370,620	370,620	
Intergovernmental revenues	1,668,006	1,688,465	1,688,465	
Charges for services	160,000	99,925	99,925	
Interest Income	109,577	55,108	55,108	
Miscellaneous revenues	39,500	257,660	257,660	
Total Revenues	<u>11,739,400</u>	<u>11,057,808</u>	<u>11,057,808</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	4,782,218	4,693,970	4,690,979	2,991
Public safety	4,414,982	3,784,759	3,784,759	
Health and welfare	400,356	396,915	396,915	
Culture and recreation	64,355	63,851	63,851	
Education	431,801	433,456	433,456	
Conservation of natural resources	200,522	127,129	127,129	
Economic development and assistance	33,158	34,158	34,158	
Debt service:				
Principal	1,327,214	1,051,425	1,051,425	
Interest		354,951	353,783	1,168
Total Expenditures	<u>11,654,606</u>	<u>10,940,614</u>	<u>10,936,455</u>	<u>4,158</u>
Excess of Revenues over (under) Expenditures	<u>84,794</u>	<u>117,194</u>	<u>121,353</u>	<u>4,158</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		7,034	7,034	
Compensation for loss of capital assets		11,813	11,813	
Transfers in		520,938	520,938	
Transfers out	(317,835)	(1,458,041)	(1,458,041)	
Total Other Financing Sources and Uses	<u>(317,835)</u>	<u>(918,256)</u>	<u>(918,256)</u>	<u>0</u>
Net Change in Fund Balance	(233,041)	(801,062)	(796,903)	4,158
Fund Balances - Beginning	<u>708,605</u>	<u>314,262</u>	<u>314,262</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 475,564</u>	<u>(486,800)</u>	<u>(482,641)</u>	<u>4,158</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)
 Corrections Corporation of America Fund
 For the Year Ended September 30, 2008

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$	3,161,969	3,161,969	
Total Revenues	0	3,161,969	3,161,969	0
EXPENDITURES				
Current:				
Public works		3,121,941	3,121,941	
Total Expenditures	0	3,121,941	3,121,941	0
Excess of Revenues over (under) Expenditures	0	40,028	40,028	0
Net Change in Fund Balance	0	40,028	40,028	0
Fund Balances - Beginning	0	0	0	0
Fund Balances - Ending	\$ 0	40,028	40,028	0

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)
 Industrial Property Acquisitions Fund
 For the Year Ended September 30, 2008

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Use of Money and property	\$ 97	951	951	
Miscellaneous revenues		2,969,389	2,969,389	
Total Revenues	<u>97</u>	<u>2,970,340</u>	<u>2,970,340</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works		320,019	320,019	
Economic development and assistance		100,409	100,409	
Total Expenditures	<u>0</u>	<u>420,428</u>	<u>420,428</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>97</u>	<u>2,549,912</u>	<u>2,549,912</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		24,000	24,000	
Other financing sources		369,873	369,873	
Total Other Financing Sources and Uses	<u>0</u>	<u>393,873</u>	<u>393,873</u>	<u>0</u>
Net Change in Fund Balance	97	2,943,785	2,943,785	0
Fund Balances - Beginning	<u>1,000</u>	<u>1,384</u>	<u>1,384</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 1,097</u>	<u>2,945,169</u>	<u>2,945,169</u>	<u>0</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, 2008

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 152,181	150,123	150,123	
Licenses, commissions and other revenue		24	24	
Intergovernmental revenues		100,000	100,000	
Total Revenues	<u>152,181</u>	<u>250,147</u>	<u>250,147</u>	<u>0</u>
EXPENDITURES				
Current:				
Debt service:				
Principal	214,877	214,877	214,877	
Interest	14,304	14,304	14,304	
Total Expenditures	<u>229,181</u>	<u>229,181</u>	<u>229,181</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(77,000)</u>	<u>20,966</u>	<u>20,966</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers out		(105,000)	(105,000)	
Total Other Financing Sources and Uses	<u>0</u>	<u>(105,000)</u>	<u>(105,000)</u>	<u>0</u>
Net Change in Fund Balance	(77,000)	(84,034)	(84,034)	0
Fund Balances - Beginning	77,000	42,843	42,843	0
Fund Balances - Ending	<u>\$ 0</u>	<u>(41,191)</u>	<u>(41,191)</u>	<u>0</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, 2008

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 budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	<u>Governmental Fund Types</u>			
	<u>General Fund</u>	<u>Corrections Corporation of America Fund</u>	<u>Port and Harbor Fund</u>	<u>Industrial Property Acquisitions Fund</u>
Budget (Cash Basis)	\$ (796,903)	40,028	(84,034)	2,943,785
Increase (Decrease)				
Net adjustments for revenue accruals	(753,389)	649,433	(99,916)	(175,053)
Net adjustments for expenditure accruals	733,934	(662,834)	104,880	
GAAP Basis	<u>\$ (816,358)</u>	<u>26,627</u>	<u>(79,070)</u>	<u>2,768,732</u>

ADAMS COUNTY

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ADAMS COUNTY

SUPPLEMENTAL INFORMATION

ADAMS COUNTY

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ADAMS COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture/ Passed-through the Mississippi State Treasurer's Office Schools and roads grants to states	10.665	N/A	\$ <u>192,773</u>
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Community development block grant/state's program and non-entitlement grants in Hawaii	14.228	R-103-001-01-KED	* 3,628,039
Community development block grant/state's program and non-entitlement grants in Hawaii	14.228	R-103-001-02-KED	* <u>40,000</u>
Total U.S. Department of Housing and Urban Development			<u>3,668,039</u>
U.S. Department of Justice/ Passed-through the Mississippi Department of Public Safety Victims of child abuse	16.547	06NW1010	16,644
Crime victim assistance	16.575	05-VA-1011	54,007
Edward Byrne Memorial Formula grant program	16.579	07NM1013	<u>76,996</u>
Total U.S. Department of Justice			<u>147,647</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>9,640</u>
U.S. Department of Health and Human Services/ Passed-through the Mississippi Department of Human Services Promoting safe and stable families	93.556	313D371A	178,605
Temporary Assistance for needy families	93.558	111W171	180,025
Passed-through the Mississippi Supreme Court State court improvement program	93.586	N/A	<u>23,016</u>
Total U.S. Department of Health and Human Services			<u>381,646</u>
Total Expenditures of Federal Awards			<u>\$ 4,399,745</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - Significant Accounting Policies

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

* Denotes major federal award program

ADAMS COUNTY

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ADAMS COUNTY

SPECIAL REPORTS

ADAMS COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Members of the Board of Supervisors
Adams County, Mississippi

We have audited the 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, 2008, which collectively comprise the county's basic financial statements and have issued our report thereon dated October 28, 2009. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 08-1, 08-2 and 08-3 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 08-1, 08-2 and 08-3 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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

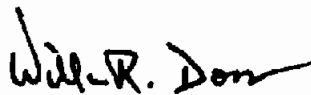
However, we noted certain matters that we reported to the management of Adams County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated October 28, 2009, included within this document.

Adams County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Adams County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, 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.



STACEY E. PICKERING
State Auditor



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

October 28, 2009



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Members of the Board of Supervisors
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 its major federal program for the year ended September 30, 2008. Adams County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program 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 its major federal program for the year ended September 30, 2008.

Internal Control Over Compliance

The management of Adams County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

A control deficiency in a county's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control.

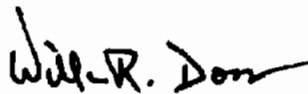
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, 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.



STACEY E. PICKERING
State Auditor



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

October 28, 2009



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Members of the Board of Supervisors
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, 2008. 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.

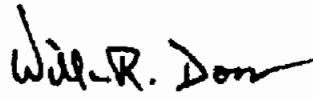
In our opinion, Adams County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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.



STACEY E. PICKERING
State Auditor



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

October 28, 2009

ADAMS COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2008

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, 2008

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
11-21-07	Repair roof on juvenile detention center	\$ 26,890	All-Tech Decorating Company	Juvenile detention center roof was leaking.
03-28-08	Telephone recording system	11,564	Applied Digital Solutions, Inc.	Telephone recording system in the Sheriff's office stopped working.
09-05-08	Food for inmates	6,742	J. E. Hicks Distributing Company	Food was purchased for inmates in preparation of a possible shortage after Hurricane Gustav.
09-05-08	Generators	6,912	Stine	Generators were necessary due to the loss of electricity after Hurricane Gustav.

ADAMS COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2008

Schedule 3

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

ADAMS COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Adams County, Mississippi

In planning and performing our audit of the financial statements of Adams County, Mississippi for the year ended September 30, 2008, we considered Adams County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Adams County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated October 28, 2009, on the financial statements of Adams County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. Finding

Section 27-105-5, Miss. Code Ann. (1972), gives the responsibility to the State Treasurer for the collateralization of public deposits. However, the county is still required to perform certain duties related to the collateralization of public funds. The following duties were not performed:

- a. The quarterly report from the State Treasurer was not reconciled to the county's bank records.
- b. Bank officials were not notified when increases in deposits exceeded 25% of the average daily balance.

Without accurate and timely reconciliation of the quarterly reports, the risk increases that the county's total deposits may not be properly collateralized.

Recommendation

The Board of Supervisors should ensure the reconciliation function is prepared quarterly, and the bank is notified when appropriate.

Board of Supervisors' Response

The Board of Supervisors will ensure that the reconciliation function for the collateralization of public funds is prepared quarterly and the bank is notified when appropriate.

2. Finding

An effective system of internal control should include disclosing the purpose of interfund loans in the Board of Supervisors' minutes. Interfund loans were approved by the Board of Supervisors without disclosing a reason why some interfund loans were made. Failure to disclose a purpose for an interfund loan transaction could result in an illegal diversion of funds.

Recommendation

The Board of Supervisors should disclose the purpose for all interfund loans in the Board of Supervisors' minutes.

Board of Supervisors' Response

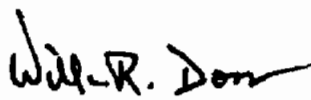
The Board of Supervisors will provide a purpose for all interfund loans in the Board of Supervisors' minutes.

Adams County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

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



STACEY E. PICKERING
State Auditor



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

October 28, 2009

ADAMS COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

ADAMS COUNTY

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ADAMS COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2008

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|-------------------------------------------------------------------------------------------|---------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental activities | Unqualified |
| | Aggregate discretely presented component units | Adverse |
| | General Fund | Unqualified |
| | Corrections Corporation of America Fund | Unqualified |
| | Port and Harbor Fund | Unqualified |
| | Industrial Property Acquisition Fund | Unqualified |
| | Aggregate remaining fund information | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that is not considered to be a material weakness? | None reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. | Any audit finding disclosed that is required to be reported in accordance with Section ____ .510(a) of OMB Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| | Community development block grant/state's program and non-entitlement grants in Hawaii CFDA # 14.228 | |
| 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 findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? | No |

ADAMS COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2008

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency – Material Weakness

08-1. Finding

A critical aspect of effective financial management is the preparation of accurate financial statements. Management did not have personnel who possessed the necessary expertise to prepare financial statements in accordance with generally accepted accounting principles. Due to the fact that the county personnel lacked the expertise to apply generally accepted accounting principles in preparing its financial statements, the risk increased that inaccurate information may be reported.

Recommendation

The Board of Supervisors should establish adequate controls and procedures to ensure that financial statements are presented and disclosed in accordance with generally accepted accounting principles.

Board of Supervisors' Response

The Board will establish adequate controls and procedures to ensure that financial statements are presented and disclosed in accordance with generally accepted accounting principles.

Significant Deficiency – Material Weakness

08-2. Finding

Generally accepted accounting principles require the financial data for the county's component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The financial statements do not include the data for the county's legally separate component units. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

The Board of Supervisors should provide the financial data for its discretely presented component units for the inclusion in the county's financial statements.

Board of Supervisors' Response

The Board of Supervisors will take this matter under advisement and take the necessary steps to correct the situation. Each of the county's component units is audited on an annual basis by a CPA firm.

ADAMS COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2008

Justice Court Clerk.

Significant Deficiency – Material Weakness

08-3. Finding

An effective system of internal control should include an adequate separation of duties. One person prepares all deposits, calculates monthly settlements, posts entries to the cash journal, reconciles the bank statements, writes the checks and disburses all funds. Failure to have an adequate separation of duties could result in the loss of public funds.

Recommendation

The Justice Court Clerk should implement a system for review of the accounting records by another person.

Justice Court Clerk's Response

The Justice Court Clerk's office will comply with this recommendation.

Section 3: Federal Award Findings and Questioned Costs

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