



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

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State Auditor

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Director, County Audit Section

**CARROLL COUNTY, MISSISSIPPI**

**Audited Primary Government Financial Statements and Special Reports  
For the Year Ended September 30, 2003**



CARROLL COUNTY

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CARROLL COUNTY

FINANCIAL SECTION

CARROLL COUNTY

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# State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

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

Members of the Board of Supervisors  
Carroll County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Carroll County, Mississippi, as of and for the year ended September 30, 2003, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements referred to above include only the primary government of Carroll County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Carroll County, Mississippi, as of September 30, 2003, and the respective changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information for the primary government of Carroll County, Mississippi, as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, Carroll County, Mississippi, implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, effective October 1, 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2004, on our consideration of Carroll County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

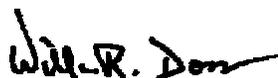
Carroll County has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedule and corresponding notes on pages 34 through 37 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise Carroll 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. The accompanying Reconciliation of Operating Costs of Solid Waste is also presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



PHIL BRYANT  
State Auditor



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

August 30, 2004

CARROLL COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

CARROLL COUNTY  
Statement of Net Assets  
September 30, 2003

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 3,855,442	1,639,009	5,494,451
Accrued interest receivable	809		809
Property tax receivable	2,173,221		2,173,221
Accounts receivable (net of allowance for uncollectibles of \$163,849)	119,287		119,287
Fines receivable (net of allowance for uncollectibles of \$292,631)	157,662		157,662
Intergovernmental receivables	101,855	242,581	344,436
Other receivables	23,980	6,062	30,042
Internal balances	36,241	(36,241)	
Special assessments receivable	55,571		55,571
Capital assets, net	2,680,383	4,174,684	6,855,067
<b>Total Assets</b>	<b>9,204,451</b>	<b>6,026,095</b>	<b>15,230,546</b>
<b>LIABILITIES</b>			
Claims payable	224,350	73,505	297,855
Intergovernmental payables	50,495		50,495
Accrued interest payable	15,863	94,241	110,104
Deferred revenue	2,241,702		2,241,702
Long-term liabilities			
Due within one year:			
Capital related debt	442,613	233,309	675,922
Due in more than one year:			
Capital related debt	1,986,079	4,965,177	6,951,256
<b>Total Liabilities</b>	<b>4,961,102</b>	<b>5,366,232</b>	<b>10,327,334</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	251,691	(1,023,802)	(772,111)
Restricted:			
Expendable:			
General government	446,226		446,226
Debt service	196,332	507,568	703,900
Public safety	380,228		380,228
Public works	1,551,553		1,551,553
Unrestricted	1,417,319	1,176,097	2,593,416
<b>Total Net Assets</b>	<b>\$ 4,243,349</b>	<b>659,863</b>	<b>4,903,212</b>

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

CARROLL COUNTY  
Statement of Activities  
For the Year Ended September 30, 2003

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 1,872,782	238,077			(1,634,705)		(1,634,705)
Public safety	1,090,073	67,471	67,025	94,996	(860,581)		(860,581)
Public works	1,872,266	467,685	744,111	117,096	(543,374)		(543,374)
Health and welfare	143,225		24,810	7,666	(110,749)		(110,749)
Culture and recreation	76,719				(76,719)		(76,719)
Conservation of natural resources	59,895				(59,895)		(59,895)
Economic development and assistance	110,396		97,790		(12,606)		(12,606)
Interest on long-term debt	126,346				(126,346)		(126,346)
Total Governmental Activities	<u>5,351,702</u>	<u>773,233</u>	<u>933,736</u>	<u>219,758</u>	<u>(3,424,975)</u>	<u>0</u>	<u>(3,424,975)</u>
Business-type activities:							
Regional jail	2,502,297	2,782,235	87,892			367,830	367,830
Total Business-type Activities	<u>2,502,297</u>	<u>2,782,235</u>	<u>87,892</u>	<u>0</u>	<u>0</u>	<u>367,830</u>	<u>367,830</u>
Total Primary Government	<u>\$ 7,853,999</u>	<u>3,555,468</u>	<u>1,021,628</u>	<u>219,758</u>	<u>(3,424,975)</u>	<u>367,830</u>	<u>(3,057,145)</u>
General revenues:							
Property taxes					\$ 3,261,981		3,261,981
Road & bridge privilege taxes					131,411		131,411
Grants and contributions not restricted to specific programs					187,170		187,170
Unrestricted gifts and donations					500		500
Unrestricted interest income					43,679	13,912	57,591
Miscellaneous					322,919		322,919
Total General Revenues					<u>3,947,660</u>	<u>13,912</u>	<u>3,961,572</u>
Changes in Net Assets					522,685	381,742	904,427
Net Assets - Beginning, as restated					<u>3,720,664</u>	<u>278,121</u>	<u>3,998,785</u>
Net Assets - Ending					<u>\$ 4,243,349</u>	<u>659,863</u>	<u>4,903,212</u>

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

CARROLL COUNTY  
 Balance Sheet - Governmental Funds  
 September 30, 2003

Exhibit 3

	<u>Major Funds</u>		Other Governmental Funds	Total Governmental Funds
	<u>General Fund</u>	<u>Bridge Fund</u>		
<b>ASSETS</b>				
Cash	\$ 1,279,211	668,960	1,907,271	3,855,442
Accrued interest receivable	135	225	449	809
Property tax receivable	1,428,271	254,000	490,950	2,173,221
Fines receivable (net of allowance for uncollectibles \$292,631)	157,662			157,662
Accounts receivable (net of allowance for uncollectibles \$163,849)			119,287	119,287
Intergovernmental receivables	69,714		32,141	101,855
Other receivables	19,240		4,740	23,980
Due from other funds	36,741	9,081	28,252	74,074
Special assessments receivable			55,571	55,571
Total Assets	<u>\$ 2,990,974</u>	<u>932,266</u>	<u>2,638,661</u>	<u>6,561,901</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Claims payable	\$ 61,893	2,676	159,781	224,350
Intergovernmental payables	50,495			50,495
Due to other funds	37,333		500	37,833
Deferred revenue	1,581,596	254,000	683,055	2,518,651
Total Liabilities	<u>1,731,317</u>	<u>256,676</u>	<u>843,336</u>	<u>2,831,329</u>
Fund balances:				
Reserved for:				
Debt service			212,195	212,195
Unreserved, reported in:				
General Fund	1,259,657			1,259,657
Special Revenue Funds		675,590	1,583,130	2,258,720
Total Fund Balances	<u>1,259,657</u>	<u>675,590</u>	<u>1,795,325</u>	<u>3,730,572</u>
Total Liabilities and Fund Balances	<u>\$ 2,990,974</u>	<u>932,266</u>	<u>2,638,661</u>	<u>6,561,901</u>

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

CARROLL COUNTY

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
September 30, 2003

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 3,730,572
Amounts reported for governmental services in the Statement of Net Assets (Exhibit 1) 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 \$3,254,202.	2,680,383
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	276,949
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(2,428,692)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(15,863)</u>
Total Net Assets - Governmental Activities	<u>\$ 4,243,349</u>

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

## CARROLL COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2003

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Bridge Fund		
<b>REVENUES</b>				
Property taxes	\$ 2,105,979	390,709	765,293	3,261,981
Road and bridge privilege taxes			131,411	131,411
Licenses, commissions and other revenue	75,195		1,165	76,360
Fines and forfeitures	138,592		2,312	140,904
Special assessments			12,113	12,113
Intergovernmental revenues	337,782		991,269	1,329,051
Charges for services			464,239	464,239
Interest income	21,905	6,159	15,615	43,679
Miscellaneous revenues	29,219		220,346	249,565
Total Revenues	<u>2,708,672</u>	<u>396,868</u>	<u>2,603,763</u>	<u>5,709,303</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,715,111		120,911	1,836,022
Public safety	687,002		467,975	1,154,977
Public works		275,408	1,783,252	2,058,660
Health and welfare	137,935			137,935
Culture and recreation	55,773		20,946	76,719
Conservation of natural resources	67,150			67,150
Economic development and assistance	12,606		97,790	110,396
Debt service:				
Principal	11,127	3,947	426,412	441,486
Interest	811	477	109,195	110,483
Total Expenditures	<u>2,687,515</u>	<u>279,832</u>	<u>3,026,481</u>	<u>5,993,828</u>
Excess of Revenues over (under) Expenditures	<u>21,157</u>	<u>117,036</u>	<u>(422,718)</u>	<u>(284,525)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued	15,489	123,503	316,355	455,347
Proceeds from sale of capital assets	218		17,050	17,268
Compensation for loss of capital assets			62,643	62,643
Transfers in			228,423	228,423
Transfers out	(208,423)		(20,000)	(228,423)
Total Other Financing Sources and Uses	<u>(192,716)</u>	<u>123,503</u>	<u>604,471</u>	<u>535,258</u>
Net Changes in Fund Balances	<u>(171,559)</u>	<u>240,539</u>	<u>181,753</u>	<u>250,733</u>
Fund Balances - Beginning, as restated	<u>1,431,216</u>	<u>435,051</u>	<u>1,613,572</u>	<u>3,479,839</u>
Fund Balances - Ending	<u>\$ 1,259,657</u>	<u>675,590</u>	<u>1,795,325</u>	<u>3,730,572</u>

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

CARROLL 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, 2003

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 250,733
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 \$608,435 exceeded depreciation of \$369,511 in the current period.	238,924
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources and a loss from the sale of capital assets decreases financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the loss of \$22,421, the gain on the sale of assets of \$73,354, compensation for loss of capital assets of \$62,643 and the proceeds from the sale of \$17,268 in the current period.	(28,978)
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.	35,370
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.	56,360
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the statement of assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds of \$455,347 exceeded debt repayments of \$441,486.	(13,861)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long- term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by the amount of increase in accrued interest payable.	<u>(15,863)</u>
Change in Net Assets of Governmental Activities	<u>\$ 522,685</u>

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

CARROLL COUNTY  
Statement of Net Assets - Proprietary Fund  
September 30, 2003

Exhibit 5

	Business-type Activities - Enterprise Fund
	<u>CMRCF</u> <u>Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 1,639,009
Intergovernmental receivables	242,581
Other receivables	6,062
Due from other funds	500
Total Current Assets	<u>1,888,152</u>
Noncurrent assets:	
Capital assets, net	<u>4,174,684</u>
Total Noncurrent Assets	<u>4,174,684</u>
Total Assets	<u>6,062,836</u>
<b>LIABILITIES</b>	
Current liabilities:	
Claims payable	73,505
Due to other funds	36,741
Accrued interest payable	94,241
Current portions of long-term capital-related debt:	
Capital leases payable	3,309
Current portions of other long-term liabilities	230,000
Total Current Liabilities	<u>437,796</u>
Noncurrent liabilities:	
Capital-related debt:	
Capital leases payable	5,177
Other long-term liabilities	4,960,000
Total Noncurrent Liabilities	<u>4,965,177</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	(1,023,802)
Restricted for debt service	507,568
Unrestricted	1,176,097
Total Net Assets	<u>\$ 659,863</u>

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

## CARROLL COUNTY

Exhibit 6Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund  
For the Year Ended September 30, 2003

	Business-type Activities - Enterprise Fund
	<u>CMRCF Fund</u>
Operating Revenues	
Charges for services	\$ 2,782,235
Miscellaneous	87,892
Total Operating Revenues	<u>2,870,127</u>
Operating Expenses	
Personal services	1,380,760
Contractual services	244,825
Materials and supplies	303,134
Depreciation expense	146,783
Indirect administrative cost	36,741
Total Operating Expenses	<u>2,112,243</u>
Operating Income (Loss)	<u>757,884</u>
Nonoperating Revenues (Expenses)	
Interest income	13,912
Interest expense	(390,054)
Net Nonoperating Revenue (Expenses)	<u>(376,142)</u>
Changes in Net Assets	<u>381,742</u>
Net Assets - Beginning, as restated	<u>278,121</u>
Net Assets - Ending	<u>\$ 659,863</u>

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

CARROLL COUNTY  
Statement of Cash Flows - Proprietary Fund  
For the Year Ended September 30, 2003

Exhibit 7

	Business-type Activities - Enterprise Fund
	CMRCF Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 2,543,460
Payments to suppliers	(294,236)
Payments to employees	(1,378,988)
Payments for contractual services	(238,259)
Other operating cash receipts	85,291
Net Cash Provided (Used) by Operating Activities	<u>717,268</u>
Cash Flows From Capital and Related Financing Activities	
Principal paid on long-term debt	(232,551)
Interest paid on debt	(295,813)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(528,364)</u>
Cash Flows From Investing Activities	
Interest and dividends on investments	13,912
Net Cash Provided (Used) by Investing Activities	<u>13,912</u>
Net Increase (Decrease) in Cash and Cash Equivalents	202,816
Cash and Cash Equivalents at Beginning of Year	0
Adjustments to Beginning of Year Cash Due to Fund Reclassification	<u>1,436,193</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,639,009</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ <u>757,884</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	146,783
Changes in assets and liabilities:	
(Increase) decrease in interfund receivables	(500)
(Increase) decrease in other receivables	(1,620)
(Increase) decrease in intergovernmental receivables	(239,756)
Increase (decrease) in claims payable	17,736
Increase (decrease) in interfund payables	36,741
Total Adjustments	<u>(40,616)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 717,268</u>

Noncash Capital Financing Activity:

Carroll County lease purchased a digital copier for \$10,119 for three years at 3.29% interest. Principal payments of \$1,633 were made on the lease during the year.

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

CARROLL COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2003

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ <u>5,952</u>
LIABILITIES	
Other liabilities	\$ <u>5,952</u>

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

## CARROLL COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2003

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Carroll 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 Carroll County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

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

- Carroll County Library System

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

## CARROLL COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2003

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

#### Fund Financial Statements:

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

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

The Government-wide, Proprietary Fund and Fiduciary Fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared 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.

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 the Proprietary Fund 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.

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 judgements, 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.

CARROLL COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2003

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.

Bridge Fund - This fund accounts for monies from specific revenue sources that are restricted for bridge maintenance and construction.

The county reports the following major Proprietary Fund:

Carroll-Montgomery Regional Correctional Facility (CMRCF) - This fund accounts for the county's activities of operating the correctional facility.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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.

PROPRIETARY FUND TYPE

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the county has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

FIDUCIARY FUND TYPE

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

D. Account Classifications.

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

E. Deposits and Investments.

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

## CARROLL COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2003

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

#### F. Receivables.

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

#### G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

#### H. Restricted Assets.

Proprietary Fund assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use nonrestricted assets first.

#### I. Capital Assets.

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

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Carroll County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the county's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

CARROLL COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2003

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

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

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

J. Long-term Liabilities.

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

In the government-wide financial statements and in the Proprietary Funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Assets.

K. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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

## CARROLL COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2003

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.

#### (2) Changes in Accounting Principles and Restatement of Fund Balance.

For the fiscal year ended September 30, 2003, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

GASB Statement No. 34, as amended by Statement No. 37, creates new basic financial statements for reporting on the county's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements prepared on the modified accrual basis of accounting, which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total on the fund financial statements as other Governmental Funds. Fund reclassifications and adjustments to the fund equities reported in the prior year financial statements were required as a result of the conversion to GASB Statement No. 34.

CARROLL COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2003

GASB Statement No. 38 requires certain note disclosures with the implementation of GASB Statement No. 34.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The provisions of these new statements have been incorporated into the financial statements and the accompanying notes. The following table summarizes the reclassifications and adjustments to the fund equity amounts reported in the prior year financial statements:

	Sept. 30, 2002 As Previously Reported	Fund and Account Group Reclassifications	Prior Period Adjustments	Sept. 30, 2002 As Restated
Governmental Funds and Governmental Activities				
Major Funds:				
General Fund	\$ 1,431,216			1,431,216
Bridge Fund		435,051		435,051
Other Governmental Funds:				
Special Revenue	2,546,062	(1,139,254)		1,406,808
Debt Service	206,764			206,764
Total Governmental Funds	<u>4,184,042</u>	<u>(704,203)</u>	<u>0</u>	<u>3,479,839</u>
Governmental Activities:				
Capital assets, net		6,375,083	(3,904,646)	2,470,437
Long-term liabilities		(2,414,831)		(2,414,831)
Fines receivable			122,292	122,292
Accounts receivable			62,927	62,927
Total Governmental Funds and Governmental Activities	<u>\$ 4,184,042</u>	<u>3,256,049</u>	<u>(3,719,427)</u>	<u>3,720,664</u>
Proprietary Funds and Business-type Activities				
CMRCF Fund	\$	857,985	(579,864)	278,121
Total Proprietary Funds and Business-type Activities	<u>\$ 0</u>	<u>857,985</u>	<u>(579,864)</u>	<u>278,121</u>
Fiduciary Funds				
Expendable Trust	\$ 685,136	(685,136)		
Total Fiduciary Funds	<u>\$ 685,136</u>	<u>(685,136)</u>	<u>0</u>	<u>0</u>
Account Groups				
General Fixed Assets	\$ 11,264,647	(11,264,647)		
General Long-term Debt	(7,835,749)	7,835,749		
Total Account Groups	<u>\$ 3,428,898</u>	<u>(3,428,898)</u>	<u>0</u>	<u>0</u>

CARROLL COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2003

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2003, was \$5,500,403, and the bank balance was \$5,614,156. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2003:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	CMRCF Fund	\$ 36,741
Bridge Fund	General	9,081
CMRCF Fund	Other Governmental Funds	500
Other Governmental Funds	General	<u>28,252</u>
Total		<u>\$ 74,574</u>

The receivable in the General Fund is for indirect costs paid on behalf of the CMRCF Fund. The receivables in the Bridge Fund and Other Governmental Funds represent tax revenue collected but not settled until October 2003. The receivable in the CMRCF Fund in the amount of \$500 is to compensate for a negative cash balance in the Canteen Fund. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 208,423
Other Governmental Funds	Other Governmental Funds	<u>20,000</u>
Total		<u>\$ 228,423</u>

The purposes of the General Fund transfers were to distribute county escrow funds to the road funds, to provide funds for the construction of a ball park and to distribute fire rebate funds. The \$20,000 transfer from Other Governmental Funds was to transfer state aid road funds. These interfund transfers were routine and consistent with the activities of the fund making the transfer.

CARROLL COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2003

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2003 consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Reimbursement for food stamps	\$ 4,566
Timber severance tax	583
Reimbursement for Sheriff's office training	350
Legislative tag credit	64,215
Motor vehicle tax	18,036
Truck & bus privilege tax	144
Harvest permits	1,102
Overweight fines	953
Reimbursement for state aid roads	<u>11,906</u>
Total Governmental Activities	<u>\$ 101,855</u>
Business-type Activities:	
Reimbursements for medical services	\$ 290
Reimbursements for housing inmates	241,600
Other charges for services	<u>691</u>
Total Business-type Activities	<u>\$ 242,581</u>

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2003:

Governmental activities:

	<u>Balance</u>				<u>Balance</u>
	<u>Oct. 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments*</u>	<u>Sept. 30, 2003</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 173,419	1,500			174,919
Construction in progress		<u>14,730</u>			<u>14,730</u>
Total non-depreciable capital assets	<u>173,419</u>	<u>16,230</u>	<u>0</u>	<u>0</u>	<u>189,649</u>
<u>Depreciable capital assets:</u>					
Infrastructure		17,260			17,260
Buildings	5,712,969			(4,873,195)	839,774
Mobile equipment	3,529,169	184,608	183,400	(152,741)	3,377,636
Furniture and equipment	646,140		11,819	(491,524)	142,797
Leased property under capital leases	<u>1,202,950</u>	<u>390,337</u>	<u>69,104</u>	<u>(156,714)</u>	<u>1,367,469</u>
Total depreciable capital assets	<u>11,091,228</u>	<u>592,205</u>	<u>264,323</u>	<u>(5,674,174)</u>	<u>5,744,936</u>

CARROLL COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2003

	Balance Oct. 1, 2002	Additions	Deletions	Adjustments*	Balance Sept. 30, 2003
<u>Less accumulated depreciation for:</u>					
Infrastructure		604			604
Buildings		15,430		317,722	333,152
Mobile equipment		186,229	133,926	2,389,297	2,441,600
Furniture and equipment		5,574	10,637	136,603	131,540
Leased property under capital leases		161,674	18,658	204,290	347,306
Total accumulated depreciation	<u>0</u>	<u>369,511</u>	<u>163,221</u>	<u>3,047,912</u>	<u>3,254,202</u>
Total depreciable capital assets, net	<u>11,091,228</u>	<u>222,694</u>	<u>101,102</u>	<u>(8,722,086)</u>	<u>2,490,734</u>
Governmental activities capital assets, net	<u>\$ 11,264,647</u>	<u>238,924</u>	<u>101,102</u>	<u>(8,722,086)</u>	<u>2,680,383</u>
Business-type activities:					
	Balance Oct. 1, 2002	Additions	Deletions	Adjustments*	Balance Sept. 30, 2003
<u>Depreciable capital assets:</u>					
Buildings	\$			4,575,063	4,575,063
Mobile equipment				83,216	83,216
Furniture and equipment				211,290	211,290
Leased property under capital leases		10,119			10,119
Total depreciable capital assets	<u>0</u>	<u>10,119</u>	<u>0</u>	<u>4,869,569</u>	<u>4,879,688</u>
<u>Less accumulated depreciation for:</u>					
Buildings		91,501		366,005	457,506
Mobile equipment		7,830		47,686	55,516
Furniture and equipment		38,032		152,129	190,161
Leased property under capital leases		9,420		(7,599)	1,821
Total accumulated depreciation	<u>0</u>	<u>146,783</u>	<u>0</u>	<u>558,221</u>	<u>705,004</u>
Total depreciable capital assets, net	<u>0</u>	<u>(136,664)</u>	<u>0</u>	<u>4,311,348</u>	<u>4,174,684</u>
Business-type activities capital assets, net	<u>\$ 0</u>	<u>(136,664)</u>	<u>0</u>	<u>4,311,348</u>	<u>4,174,684</u>

The building for the CMRCF is constructed on sixteen section land that is not owned by the county.

\* Adjustments are the cumulative effect of implementing GASB 34 with the exception of adjustments in the amount of \$4,869,569 to move the assets of Carroll Montgomery Regional Correction Facility from governmental activities to business-type activities and adjustments to move some capital assets to different asset classifications.

CARROLL COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2003

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 20,940
Public safety	75,898
Public works	271,080
Conservation of natural resources	<u>1,593</u>
Total governmental activities depreciation expense	<u>\$ 369,511</u>
Business-type activities:	
Regional jail	<u>\$ 146,783</u>

As of September 30, 2003, the county had the following commitment with respect to an unfinished capital project:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Ball park	\$ 101,124	June 2005

(7) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$500,000 for law enforcement personnel and \$350,000 for all other employees for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2003, to January 1, 2004. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

CARROLL COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2003

(8) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2003:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Mobile equipment	\$ 1,343,655	
Other furniture and equipment	<u>23,814</u>	<u>10,119</u>
Total	1,367,469	10,119
Less: Accumulated depreciation	<u>347,306</u>	<u>1,821</u>
Leased Property Under Capital Leases	<u>\$ 1,020,163</u>	<u>8,298</u>

The following is a schedule by years of the total payments due as of September 30, 2003:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 299,419	30,594	3,309	230
2005	254,249	17,828	3,428	119
2006	184,484	7,861	1,749	17
2007	92,172	3,244		
2008	<u>57,555</u>	<u>804</u>		
Total	<u>\$ 887,879</u>	<u>60,331</u>	<u>8,486</u>	<u>366</u>

(9) Long-term Debt.

Debt outstanding as of September 30, 2003, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
1998 refunding bonds	\$ <u>1,265,000</u>	4.00/4.50	07/12
B. Special Assessment Debt with Governmental Commitment			
Strawberry Hill Road	\$ 23,632 *	5.65	03/07
Wildridge Estates Road	<u>31,939 **</u>	6.00	04/16
Total Special Assessment Debt with Governmental Commitment	<u>\$ 55,571</u>		

CARROLL COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2003

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>C. Capital Leases:</b>			
Kodak 95 copier	\$ 883	4.95	03/04
2001 Ford Crown Victoria	5,266	4.90	06/04
Garbage cans	16,396	5.57	03/06
Garbage cans	56,358	5.57	09/06
Garbage truck	63,692	3.20	03/08
Garbage trucks	136,255	4.99	04/06
2003 Sterling Acterra M8500 truck with body	61,064	3.62	09/07
1999 Ford F-150 pickup	1,855	4.75	02/04
Caterpillar motor grader	23,463	4.64	06/04
1997 Caterpillar motor grader	56,219	4.80	08/06
750 John Deere dozer	24,681	5.08	12/04
1999 Dodge Ram	6,254	5.36	02/05
John Deere 670 B motor grader	48,153	4.34	10/06
1981 Mack truck	5,785	4.94	09/04
2001 Chevrolet truck	13,451	4.34	09/06
Used 690 E excavator	29,181	5.29	10/05
2001 Ford 350 pickup	7,664	4.99	04/06
Used 1994 Palmer dump trailer	726	4.00	12/03
2002 New Holland TS110 tractor with boom mower	38,517	4.40	03/06
Mita KM 3530 copier	7,772	2.98	06/06
Mita KM 3530 copier	4,971	3.65	09/06
John Deere excavator model 200 CL	119,556	2.87	07/08
John Deere 310 SG backhoe	51,131	3.20	04/08
1995 John Deere excavator	28,360	2.96	05/08
315C excavator	<u>80,226</u>	2.87	09/08
<b>Total Capital Leases</b>	<b>\$ <u>887,879</u></b>		
<b>D. Other Loans:</b>			
CAP loan 242 fire protection	\$ 35,914	3.00	02/09
CAP loan 299 fire protection	47,082	3.00	09/10
CAP loan 329 fire protection	58,591	3.00	11/11
CAP loan - fire protection	<u>78,655</u>	2.00	05/13
<b>Total Other Loans</b>	<b>\$ <u>220,242</u></b>		
<b>Business-type Activities:</b>			
<b>A. Limited Obligation Bonds:</b>			
Urban renewal revenue bonds	\$ <u>5,190,000</u>	*** 5.00/6.25	12/17
<b>B. Capital Leases:</b>			
Toshiba digital 550 copier	\$ <u>8,486</u>	3.29	03/06

CARROLL COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2003

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

Governmental Activities:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 110,000	54,623
2005	120,000	50,112
2006	125,000	45,133
2007	130,000	39,882
2008	140,000	34,358
2009 - 2013	<u>640,000</u>	<u>72,793</u>
Total	<u>\$ 1,265,000</u>	<u>296,901</u>

<u>Year Ending September 30</u>	<u>Special Assessment Debt</u>		<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 7,121	3,257	26,073	5,498
2005	7,533	2,845	26,792	4,779
2006	7,965	2,412	27,530	4,040
2007	8,421	1,956	28,290	3,280
2008	2,138	1,473	29,071	2,500
2009 - 2013	12,759	5,278	82,486	3,715
2014 - 2018	<u>9,634</u>	<u>1,196</u>		
Total	<u>\$ 55,571</u>	<u>18,417</u>	<u>220,242</u>	<u>23,812</u>

Business-type Activities:

<u>Year Ending September 30</u>	<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 230,000	275,536
2005	245,000	260,692
2006	260,000	244,911
2007	275,000	228,193
2008	290,000	212,204
2009 - 2013	1,695,000	816,991
2014 - 2018	<u>2,195,000</u>	<u>306,743</u>
Total	<u>\$ 5,190,000</u>	<u>2,345,270</u>

CARROLL COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2003

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, 2003, the amount of outstanding debt was equal to 2% of the latest property assessments.

Special Assessment Debt with Commitments

- \* Special assessment debt of \$52,500 was issued on October 6, 1997, to pave roads under the provisions of Section 65-19-88, Miss. Code Ann. (1972). A special assessment tax was levied against all of the benefitted property owners. The county will levy annually this special assessment tax upon all taxable property in the benefitted area of the Strawberry Hill subdivision adequate and sufficient to provide for the payment of the principal and interest on the bonds as the same falls due over a period of ten years. The principal balance outstanding at September 30, 2003 is \$23,632.
- \*\* Special assessment debt of \$35,905 was issued on September 14, 2001, to pave roads under the provisions of Section 65-19-88, Miss. Code Ann. (1972). A special assessment tax was levied against all of the benefitted property owners. The other benefitted owners agreed to share in the levied taxes of one owner who would not participate. The county will levy annually this special assessment tax upon all taxable property in the benefitted area of the Wildridge Estates subdivision adequate and sufficient to provide for the payment of the principal and interest on the loan as the same falls due over a period of 15 years. The principal balance outstanding at September 30, 2003 is \$31,939.

Limited Obligation Bonds

- \*\*\* Limited obligation urban renewal bonds, designed as “qualified tax exempt obligations” for purposes of Section 265 of the Internal Revenue Code of 1986, were issued with a face value of \$5,800,000 for the purpose of financing the construction and equipping of the Carroll-Montgomery Regional Correctional Facility. The bonds are not a general obligation of the county and, therefore, are not secured by the full faith and credit of the county. The sole source of payment for the revenue bonds is income derived from an inmate housing agreement with the Mississippi Department of Corrections for housing state prisoners and income received from any other governments for housing and holding prisoners.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2003:

	Balance Oct. 1, 2002	Additions	Reductions	Adjustments *	Balance Sept. 30, 2003	Amount due within one year
Governmental Activities						
General obligation bonds	\$ 1,370,000		105,000		1,265,000	110,000
Limited obligation bonds	5,405,000			(5,405,000)		
Special assessment debt with commitments	62,325		6,754		55,571	7,121
Capital leases	838,746	375,438	310,387	(15,918)	887,879	299,419
Other loans	159,678	79,909	19,345		220,242	26,073
<b>Total</b>	<b>\$ 7,835,749</b>	<b>455,347</b>	<b>441,486</b>	<b>(5,420,918)</b>	<b>2,428,692</b>	<b>442,613</b>

CARROLL COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2003

	Balance		Balance			Amount due
	Oct. 1, 2002	Additions	Reductions	Adjustments *	Sept. 30, 2003	within one
						year
Business-type Activities:						
Limited obligation bonds	\$		215,000	5,405,000	5,190,000	230,000
Capital leases		10,119	17,551	15,918	8,486	3,309
Total	\$	<u>0</u>	<u>232,551</u>	<u>5,420,918</u>	<u>5,198,486</u>	<u>233,309</u>

\* Adjustments are to move the long-term debt liabilities of the Carroll-Montgomery Regional Correctional Facility from governmental activities to business-type activities.

(10) Contingencies.

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

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

(11) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Holmes Community College operates in a district composed of the Counties of Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Webster and Yazoo. The Carroll County Board of Supervisors appoints two of the 22 members of the college board of trustees. The county appropriated \$136,935 for maintenance and support of the college in fiscal year 2003.

North Central Planning and Development District operates in a district composed of the Counties of Attala, Carroll, Grenada, Holmes, Leflore, Montgomery and Yalobusha. The Carroll County Board of Supervisors appoints four of the 28 members of the district board of directors. The county appropriated \$12,606 for support of the district in fiscal year 2003.

Region Six Mental Health/Mental Retardation Center Life Help operates in a district composed of the Counties of Attala, Carroll, Grenada, Holmes, Humphreys, Leflore, Montgomery and Sunflower. The Carroll County Board of Supervisors appoints one of the eight members of the board of commissioners. The county appropriated \$25,000 for support of the center in fiscal year 2003.

Yazoo-Mississippi Water Management District operates in a district composed of the Counties of Bolivar, Carroll, Coahoma, DeSoto, Holmes, Humphreys, Issaquena, Leflore, Panola, Quitman, Sharkey, Sunflower, Tallahatchie, Tate, Tunica, Washington and Yazoo. The Carroll County Board of Supervisors appoints one of the 21 members of the district board of commissioners. The county appropriated \$2,371 for support of the district in fiscal year 2003.

Mississippi Regional Housing Authority IV operates in a district composed of the Counties of Carroll, Choctaw, Clay, Grenada, Lowndes, Montgomery, Oktibbeha, Webster and Winston. The Carroll County Board of Supervisors appoints one of the nine members of the board of commissioners. The county did not appropriate for

CARROLL COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2003

support of the authority in fiscal year 2003.

(12) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2003, 2002 and 2001 were \$262,537, \$267,105 and \$251,814, respectively, equal to the required contributions for each year.

(13) Other Information.

As a result of revenue shortfalls, the State Tax Commission had to withhold 8% of the March 2003 homestead exemption reimbursement from local governments. The amount withheld from Carroll County during the 2002-2003 fiscal year was \$11,349.

(14) Subsequent Events.

Subsequent to September 30, 2003, Carroll 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>
12/03	2.97	\$ 17,050	Lease purchase	Ad valorem taxes
01/04	3.25	21,524	Lease purchase	Ad valorem taxes
02/04	3.22	19,744	Lease purchase	Ad valorem taxes
02/04	3.22	18,138	Lease purchase	Ad valorem taxes
05/04	3.50	65,000	Lease purchase	Ad valorem taxes

CARROLL COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

CARROLL COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2003

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 2,123,244	2,124,518	2,113,651	(10,867)
Licenses, commissions and other revenue	70,208	70,208	74,796	4,588
Fines and forfeitures	150,521	150,521	138,593	(11,928)
Intergovernmental revenues	373,592	373,592	329,549	(44,043)
Interest income	42,472	42,472	23,557	(18,915)
Miscellaneous revenues	2,600	2,600	5,736	3,136
Total Revenues	<u>2,762,637</u>	<u>2,763,911</u>	<u>2,685,882</u>	<u>(78,029)</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,580,752	1,762,540	1,762,540	
Public safety	679,863	686,252	686,252	
Health and welfare	139,562	137,396	137,396	
Culture and recreation	55,772	55,772	55,772	
Conservation of natural resources	67,988	70,650	70,650	
Economic development and assistance	12,606	12,606	12,606	
Total Expenditures	<u>2,536,543</u>	<u>2,725,216</u>	<u>2,725,216</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>226,094</u>	<u>38,695</u>	<u>(39,334)</u>	<u>(78,029)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term debt issued			8,448	8,448
Proceeds from sale of capital assets			618	618
Transfers out	(170,000)	(208,423)	(208,423)	
Total Other Financing Sources and Uses	<u>(170,000)</u>	<u>(208,423)</u>	<u>(199,357)</u>	<u>9,066</u>
Net Change in Fund Balance	56,094	(169,728)	(238,691)	(68,963)
Fund Balances - Beginning	<u>1,441,357</u>	<u>1,441,357</u>	<u>1,441,357</u>	
Fund Balances - Ending	<u>\$ 1,497,451</u>	<u>1,271,629</u>	<u>1,202,666</u>	<u>(68,963)</u>

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

CARROLL COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Bridge Fund  
 For the Year Ended September 30, 2003

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 375,500	375,500	390,452	14,952
Interest income	4,000	4,000	6,267	2,267
Total Revenues	<u>379,500</u>	<u>379,500</u>	<u>396,719</u>	<u>17,219</u>
<b>EXPENDITURES</b>				
Current:				
Public works	296,701	169,048	169,048	
Total Expenditures	<u>296,701</u>	<u>169,048</u>	<u>169,048</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>82,799</u>	<u>210,452</u>	<u>227,671</u>	<u>17,219</u>
Net Change in Fund Balance	82,799	210,452	227,671	17,219
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 82,799</u>	<u>210,452</u>	<u>227,671</u>	<u>17,219</u>

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

## CARROLL COUNTY

### Notes to the Required Supplementary Information For the Year Ended September 30, 2003

#### 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.

For the year ended September 30, 2003, the county implemented GASB Statement No. 41, *Budgetary Comparison Schedules - Perspective Differences*, which amends Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The statement clarifies the budgetary presentation requirements. 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).

CARROLL COUNTY

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2003

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>Bridge Fund</u>
Budget (Cash Basis)	\$ (238,691)	227,671
Increase (Decrease)		
Net adjustments for revenue accruals	(385,739)	150
Net adjustments for expenditure accruals	<u>452,871</u>	<u>12,718</u>
GAAP Basis	<u><u>\$ (171,559)</u></u>	<u><u>240,539</u></u>

CARROLL COUNTY

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CARROLL COUNTY

SUPPLEMENTAL INFORMATION

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

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<b>MAJOR FEDERAL AWARDS</b>			
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Community development block grant/state's program	14.228	00-008-PF-01	\$ <u>126,382</u>
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority HOME investment partnerships program	14.239	M01SG-28-01-1023	<u>97,790</u>
Total Expenditures of Major Federal Awards			<u>224,172</u>
<b>OTHER FEDERAL AWARDS</b>			
U.S. Department of Justice Office of Community Oriented Policing Services Public safety partnership and community policing grants	16.710	N/A	<u>65,645</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>10,890</u>
Total Expenditures of Other Federal Awards			<u>76,535</u>
Total Expenditures of Federal Awards			<u>\$ 300,707</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.

CARROLL COUNTY

Reconciliation of Operating Costs of Solid Waste  
For the Year Ended September 30, 2003

Operating Expenditures, Cash Basis:

Salaries	\$	224,993
Expendable commodities:		
Gasoline and petroleum products		16,473
Repair parts		1,797
Truck rentals		9,000
Repairs and maintenance		24,818
Solid waste disposal fee		80,107
Supplies		<u>11,018</u>

Solid Waste Cash Basis Operating Expenditures 368,206

Full Cost Expenses:

Indirect administrative costs		7,470
Depreciation on equipment		38,854
Net effect of other accrued expenses		<u>17,519</u>

Solid Waste Full Cost Operating Expenses \$ 432,049

CARROLL COUNTY

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CARROLL COUNTY

SPECIAL REPORTS

CARROLL COUNTY

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# State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

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

Members of the Board of Supervisors  
Carroll County, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Carroll County, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated August 30, 2004. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component unit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## Compliance

As part of obtaining reasonable assurance about whether Carroll County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of noncompliance which we have reported to the management of Carroll County, Mississippi, in the Independent Auditor's Report on Compliance with State Laws and Regulations and the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules dated August 30, 2004, included within this document.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Carroll County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the primary government financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Carroll County, Mississippi's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 03-1, 03-2, 03-3, 03-4 and 03-5.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses.

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



PHIL BRYANT  
State Auditor



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

August 30, 2004



# State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

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

Members of the Board of Supervisors  
Carroll County, Mississippi

### Compliance

We have audited the compliance of Carroll County, Mississippi, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2003. Carroll County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Carroll County, Mississippi's management. Our responsibility is to express an opinion on Carroll 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 Carroll 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 Carroll County, Mississippi's compliance with those requirements.

In our opinion, Carroll County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2003.

### Internal Control Over Compliance

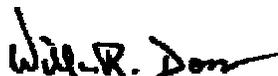
The management of Carroll County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Carroll County, Mississippi's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

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

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



PHIL BRYANT  
State Auditor



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

August 30, 2004



# State of Mississippi

OFFICE OF THE STATE AUDITOR

PHIL BRYANT  
AUDITOR

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

Members of the Board of Supervisors  
Carroll County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Carroll County, Mississippi, as of and for the year ended September 30, 2003. 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 Carroll 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 Carroll 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.

The results of our audit procedures disclosed an instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response is disclosed below:

Inventory Control Clerk.

### Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the county to establish and maintain an inventory control system pursuant to requirements prescribed by the Office of the State Auditor. As reported in the prior year's audit report, the Inventory Control Clerk did not tag all assets with a property number as prescribed in the *Mississippi County Financial Accounting Manual*. In addition, these inventory items were never even assigned property numbers.

Recommendation

The Inventory Control Clerk should assign a unique property number to each asset and properly tag all items with the property number listed in the capital assets ledger as prescribed in the *Mississippi County Financial Accounting Manual*.

Inventory Control Clerk's Response

I will comply as prescribed.

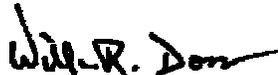
In our opinion, except for the noncompliance referred to in the preceding paragraph, Carroll County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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 Carroll County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT  
State Auditor



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

August 30, 2004

CARROLL COUNTY  
Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2003

Schedule 1

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

CARROLL COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2003

Schedule 2

Our test results did not identify any emergency purchases.

CARROLL COUNTY  
Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2003

Schedule 3

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

CARROLL COUNTY

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# State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Members of the Board of Supervisors  
Carroll County, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Carroll County, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated August 30, 2004. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component unit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the Office of the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. 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.

The results of our procedures and our audit of the primary government financial statements disclosed certain immaterial instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are disclosed below:

Board of Supervisors.

1. Finding

Section 19-13-33, Miss. Code Ann. (1972), states that it shall be unlawful for the Board of Supervisors to allow a greater sum for any account, claim or demand against the county than the amount actually due thereon, dollar for dollar, according to the legal or ordinary cash compensation for such services rendered, or for salaries or fees of officers or for materials furnished, or to issue county warrants or orders upon such accounts, claims or demands, when allowed for more than the actual amount so allowed, dollar for dollar. As reported in the last four years' audit reports, the Bank of New York, as trustee for the county, purchased a certificate of deposit for the benefit of a contractor that appears to be in excess of the retainage earned on the construction contract.

Recommendation

The Board of Supervisors should pursue all legal remedies to secure a repayment of \$21,821.20 for the excess retainage payment to the contractor.

Board of Supervisors' Response

Our facility attorney has pursued this matter and based upon his recommendation, we will not pursue it any further because the cost of litigation for this amount exceeds what we would potentially recover.

2. Finding

Section 27-39-329(2)b, Miss. Code Ann. (1972), requires the Board of Supervisors to levy each year an ad valorem tax of one (1) mill to be used for any purpose allowed by law. The Board of Supervisors levied an ad valorem tax in excess of the one (1) mill.

Recommendation

The Board of Supervisors should limit the tax levy under this code section to one (1) mill.

Board of Supervisors' Response

We will comply as prescribed.

Chancery Clerk.

3. Finding

Section 19-3-27, Miss. Code Ann. (1972), requires the Clerk of the Board of Supervisors to keep a complete and correct record of all board proceedings. The board minutes were not prepared up-to-date.

Recommendation

The Chancery Clerk should keep an up-to-date and complete record of all board minutes.

Chancery Clerk's Response

I will comply as prescribed.

4. Finding

Section 9-1-43, Miss. Code Ann. (1972), requires the Chancery Clerk to maintain a cash journal to account for the receipts and expenses related to the operation of the office and to write receipts for all collections over \$10. We noted that receipts were not issued for all receipts over \$10.

Recommendation

The Chancery Clerk should issue receipts for all monies in excess of \$10.

Chancery Clerk's Response

I will comply as prescribed.

Sheriff.

5. Finding

Section 19-25-74, Miss. Code Ann. (1972), requires the Sheriff to submit a meal log to the Board of Supervisors documenting all meals served to prisoners on a monthly basis. The Sheriff did not submit a copy of the meal log to the Board of Supervisors.

Recommendation

The Sheriff should submit a copy of the meal log to the Board of Supervisors each month.

Sheriff's Response

I will comply with the recommendation. I will see if it is possible to substitute the hand written report with the computer generated report to supply required information to the Board of Supervisors.

Tax Assessor-Collector.

6. Finding

Sections 27-35-143 through 27-35-149, Miss. Code Ann. (1972), prescribe the procedures to be followed for making changes in assessments. As reported in the last six years' audit reports, the Tax Assessor-Collector made changes in assessments without prior approval from the Board of Supervisors. Failure to follow proper procedures increases the potential for changes in assessments to be made for improper reasons.

Recommendation

The Tax Assessor-Collector should comply with the approval provisions of the law before making assessment changes.

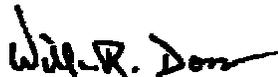
Tax Assessor-Collector's Response

I agree with the finding and steps have been put into place to comply with the finding.

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



PHIL BRYANT  
State Auditor



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

August 30, 2004

CARROLL COUNTY

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CARROLL COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CARROLL COUNTY

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CARROLL COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2003

Section 1: Summary of Auditor's Results

***Financial Statements:***

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

***Federal Awards:***

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

CARROLL COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2003

Section 2: Financial Statement Findings

Board of Supervisors.

03-1. Finding

Weak internal controls existed over the collection and remittance of sanitation collections.

Recommendation

The Board of Supervisors should ensure that the Sanitation Department employees implement the following internal accounting controls:

- a. Deposits should be made daily.
- b. Receipts should be pre-numbered.
- c. Receipts should be issued for all monies collected, including checks.

Board of Supervisors' Response

We will comply as prescribed.

Chancery Clerk.

03-2. Finding

As reported in the last ten years' audit reports, observations revealed that there is not an adequate separation of duties in the accounting functions. Failure to have an adequate separation of duties could result in the loss of public funds due to the mishandling of funds.

Recommendation

Accounting functions involving receipting and disbursing of funds, recording transactions and reconciling accounts should be performed by different people.

Chancery Clerk's Response

We have budgeted for an additional person in our accounting department for fiscal year 2005. Hopefully, this will adequately separate duties in the accounting functions.

Inventory Control Clerk.

03-3. Finding

As reported in the prior year audit report, we noted that certain items were not tagged with an inventory number to identify the asset as property of Carroll County.

Recommendation

The Inventory Control Clerk should properly tag all items with the inventory number listed in the capital assets ledger as prescribed in the *Mississippi County Financial Accounting Manual*.

CARROLL COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2003

Inventory Control Clerk's Response

I will comply with the above recommendation.

Sheriff.

03-4. Finding

Audit procedures indicate that weak internal controls exist over the receipting of funds in the Sheriff's office. Prescribed receipts were not issued for all monies collected and documentation was not maintained for purchases made by inmates from the canteen.

Recommendation

Receipts should be issued for all monies collected in the Sheriff's office and documentation of purchases from the canteen should be maintained.

Sheriff's Response

I will comply.

Tax Assessor-Collector.

03-5. Finding

As reported in the prior year audit report, we noted the following weaknesses in internal controls over the collection and remittance of cash:

- a. There was no separation of duties in the collecting, receipting, depositing and disbursing of funds.
- b. Cash receipts could not be traced to deposit slips.
- c. Bank reconciliations were not prepared timely or properly.
- d. Receipts were not issued for all solid waste monies collected.

Recommendation

The Tax Assessor-Collector should implement the following internal accounting controls:

- a. Separate cash collection and deposit preparation duties from cash recording responsibilities when practicable.
- b. Daily cash sheets should be properly maintained so that all collections can be traced to deposit slips.
- c. Properly reconcile the bank account to the cash journal upon receipt of the bank statement.
- d. Issue receipts for all monies collected.

CARROLL COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2003

Tax Assessor-Collector's Response

I agree with the findings and measures have been taken to correct them.

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.