



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

**PHIL BRYANT
State Auditor**

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

**J. SCOTT SPEIGHTS, MBA, CIA, CGAP
Director, County Audit Section**

LAFAYETTE COUNTY, MISSISSIPPI

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

*The Office of the State Auditor does not discriminate on the basis of
race, religion, national origin, sex, age or disability*

LAFAYETTE COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION 1

INDEPENDENT AUDITOR'S REPORT 3

 Statement of Net Assets 6

 Statement of Activities 7

 Balance Sheet - Governmental Funds 8

 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets 9

 Statement of Revenues, Expenditures and Changes in Fund Balances -
 Governmental Funds 10

 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities 11

 Statement of Net Assets - Proprietary Fund 12

 Statement of Revenues, Expenses and Changes in Fund Net Assets -
 Proprietary Fund 13

 Statement of Cash Flows - Proprietary Fund 14

 Statement of Fiduciary Assets and Liabilities 15

 Notes to Financial Statements 16

REQUIRED SUPPLEMENTARY INFORMATION 33

 Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)
 General Fund 34

 Countywide Road Maintenance Fund 35

 Notes to the Required Supplementary Information 36

SPECIAL REPORTS 39

 Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based
 on an Audit of the Financial Statements Performed in Accordance with *Government*
 Auditing Standards 41

 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)) 43

 Independent Auditor's Report on Compliance with State Laws and Regulations 49

SCHEDULE OF FINDINGS 53

LAFAYETTE COUNTY

FINANCIAL SECTION

LAFAYETTE COUNTY

(This page left blank intentionally)



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Lafayette 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 Lafayette County, Mississippi, as of and for the year ended September 30, 2003, which collectively comprise the county's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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.

Management did not maintain adequate subsidiary records documenting the fines receivable of the Justice Court or the aging of these fines receivable. Due to the nature of the county's records, we were unable to satisfy ourselves as to the fair presentation of fines receivable, net, reported in the General Fund at \$97,958, as of September 30, 2003.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence to determine the net realizable value of the Justice Court fines receivable for the General Fund as described in the third paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund of Lafayette County, Mississippi, as of September 30, 2003, and the changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the governmental activities, the business-type activities, the Countywide Road Maintenance Fund, the Garbage Collection Fund and the aggregate remaining fund information of Lafayette 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, Lafayette 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.

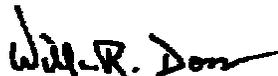
In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2005, on our consideration of Lafayette County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

Lafayette 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 Schedules 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 inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



PHIL BRYANT
State Auditor



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

June 14, 2005

LAFAYETTE COUNTY

FINANCIAL STATEMENTS

LAFAYETTE COUNTY
Statement of Net Assets
September 30, 2003

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 12,712,573	322,704	13,035,277
Accrued interest receivable	735		735
Property tax receivable	3,134,594		3,134,594
Accounts receivable (net of allowance for uncollectibles of \$350,657)		186,138	186,138
Fines receivable (net of allowance for uncollectibles of \$737,772)	97,958		97,958
Intergovernmental receivables	546,921		546,921
Other receivables	66,126	67,893	134,019
Internal balances	109,553	(109,553)	
Prepaid items	260,028		260,028
Capital assets, net	24,305,691	251,190	24,556,881
Total Assets	41,234,179	718,372	41,952,551
LIABILITIES			
Claims payable	907,999	66,680	974,679
Amounts held in custody for others	84,416		84,416
Intergovernmental payables	426,043	12,884	438,927
Accrued interest payable	186,941		186,941
Deferred revenue	3,134,594	51,369	3,185,963
Long-term liabilities			
Due within one year:			
Capital related debt	1,103,755		1,103,755
Due in more than one year:			
Capital related debt	15,412,772		15,412,772
Non-capital debt	233,856	25,313	259,169
Total Liabilities	21,490,376	156,246	21,646,622
NET ASSETS			
Invested in capital assets, net of related debt	9,158,030	251,190	9,409,220
Restricted:			
Expendable:			
Debt service	770,960		770,960
Public safety	1,222,346		1,222,346
Public works	1,836,790		1,836,790
Capital projects	105,824		105,824
Other purposes	215,324		215,324
Unrestricted	6,434,529	310,936	6,745,465
Total Net Assets	\$ 19,743,803	562,126	20,305,929

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

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

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 3,721,356	853,062			(2,868,294)		(2,868,294)
Public safety	3,725,555	1,680,978	135,087		(1,909,490)		(1,909,490)
Public works	3,534,597		821,158	562,140	(2,151,299)		(2,151,299)
Health and welfare	380,299		78,900		(301,399)		(301,399)
Culture and recreation	108,610				(108,610)		(108,610)
Conservation of natural resources	74,153				(74,153)		(74,153)
Economic development and assistance	244,624			2,618	(242,006)		(242,006)
Interest on long-term debt	1,162,142				(1,162,142)		(1,162,142)
Total Governmental Activities	<u>12,951,336</u>	<u>2,534,040</u>	<u>1,035,145</u>	<u>564,758</u>	<u>(8,817,393)</u>	<u>0</u>	<u>(8,817,393)</u>
Business-type activities:							
Garbage collection	1,170,990	934,558				(236,432)	(236,432)
Total Business-type Activities	<u>1,170,990</u>	<u>934,558</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(236,432)</u>	<u>(236,432)</u>
Total Primary Government	<u>\$ 14,122,326</u>	<u>3,468,598</u>	<u>1,035,145</u>	<u>564,758</u>	<u>(8,817,393)</u>	<u>(236,432)</u>	<u>(9,053,825)</u>
General revenues:							
Property taxes					\$ 6,581,258		6,581,258
Road & bridge privilege taxes					374,997		374,997
Grants and contributions not restricted to specific programs					511,097		511,097
TVA payments in lieu of taxes						251,424	251,424
Unrestricted interest income					275,811	5,263	281,074
Miscellaneous					640,739		640,739
Total General Revenues					<u>8,383,902</u>	<u>256,687</u>	<u>8,640,589</u>
Changes in Net Assets					<u>(433,491)</u>	<u>20,255</u>	<u>(413,236)</u>
Net Assets - Beginning, as restated					<u>20,177,294</u>	<u>541,871</u>	<u>20,719,165</u>
Net Assets - Ending					<u>\$ 19,743,803</u>	<u>562,126</u>	<u>20,305,929</u>

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

LAFAYETTE COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2003

Exhibit 3

	Major Funds			
	General Fund	Countywide Road Maintenance Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 7,078,737	1,637,616	3,996,220	12,712,573
Accrued interest receivable	675	43	17	735
Property tax receivable	1,663,551	509,864	961,179	3,134,594
Fines receivable (net of allowance for uncollectibles \$737,772)	97,958			97,958
Intergovernmental receivables	413,610	133,311		546,921
Other receivables	30,563		33,018	63,581
Due from other funds	23,522	63,735	25,387	112,644
Advances to other funds	82,013			82,013
Total Assets	<u>\$ 9,390,629</u>	<u>2,344,569</u>	<u>5,015,821</u>	<u>16,751,019</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 656,225	180,389	71,385	907,999
Amounts held in custody for others	84,416			84,416
Intergovernmental payables	410,053	6,882	5,017	421,952
Due to other funds	86,014		636	86,650
Deferred revenue	1,761,509	509,864	961,179	3,232,552
Total Liabilities	<u>2,998,217</u>	<u>697,135</u>	<u>1,038,217</u>	<u>4,733,569</u>
Fund balances:				
Reserved for:				
Debt service			957,901	957,901
Advances	82,013			82,013
Non-current receivables		133,311		133,311
Unreserved, reported in:				
General Fund	6,310,399			6,310,399
Special Revenue Funds		1,514,123	1,545,013	3,059,136
Capital Project Funds			1,474,690	1,474,690
Total Fund Balances	<u>6,392,412</u>	<u>1,647,434</u>	<u>3,977,604</u>	<u>12,017,450</u>
Total Liabilities and Fund Balances	<u>\$ 9,390,629</u>	<u>2,344,569</u>	<u>5,015,821</u>	<u>16,751,019</u>

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

LAFAYETTE 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	\$ 12,017,450
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 \$8,846,719.	24,305,691
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	97,958
Prepaid items, such as prepaid insurance, are accounted for as expenditures in the period of acquisition and, therefore, are not reported in the funds.	260,028
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(16,750,383)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(186,941)</u>
Total Net Assets - Governmental Activities	<u>\$ 19,743,803</u>

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

LAFAYETTE 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	Countywide Road Maintenance Fund		
REVENUES				
Property taxes	\$ 4,050,279	1,055,879	1,475,100	6,581,258
Road and bridge privilege taxes		374,997		374,997
Licenses, commissions and other revenue	470,039			470,039
Fines and forfeitures	389,646			389,646
Intergovernmental revenues	609,970	1,294,696	206,334	2,111,000
Charges for services	1,244,535		368,537	1,613,072
Interest income	175,668	28,397	71,746	275,811
Miscellaneous revenues	592,290	29,155	19,294	640,739
Total Revenues	<u>7,532,427</u>	<u>2,783,124</u>	<u>2,141,011</u>	<u>12,456,562</u>
EXPENDITURES				
Current:				
General government	3,881,144		593,599	4,474,743
Public safety	3,067,402		810,722	3,878,124
Public works		2,854,538	1,117,191	3,971,729
Health and welfare	299,166			299,166
Culture and recreation	65,600			65,600
Conservation of natural resources	74,153			74,153
Economic development and assistance	147,906		2,618	150,524
Debt service:				
Principal	421,053		630,000	1,051,053
Interest	240,714		734,487	975,201
Total Expenditures	<u>8,197,138</u>	<u>2,854,538</u>	<u>3,888,617</u>	<u>14,940,293</u>
Excess of Revenues over (under) Expenditures	<u>(664,711)</u>	<u>(71,414)</u>	<u>(1,747,606)</u>	<u>(2,483,731)</u>
Net Changes in Fund Balances	<u>(664,711)</u>	<u>(71,414)</u>	<u>(1,747,606)</u>	<u>(2,483,731)</u>
Fund Balance - Beginning, as restated	<u>7,057,123</u>	<u>1,718,848</u>	<u>5,725,210</u>	<u>14,501,181</u>
Fund Balances - Ending	<u>\$ 6,392,412</u>	<u>1,647,434</u>	<u>3,977,604</u>	<u>12,017,450</u>

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

LAFAYETTE 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	\$ (2,483,731)
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 \$1,735,390 exceeded depreciation of \$853,353 in the current period.	882,037
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the loss.	(8,284)
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.	61,283
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount of the debt repayments.	1,051,053
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long- term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
The amount of increase in compensated absences.	(8,936)
The amount of increase in accrued interest payable	(186,941)
Under the modified accrual basis of accounting used in the Governmental Funds, prepaid items are reported as expenditures. However, in the Statement of Activities, only the portion of expenses related to the current period are reported.	<u>260,028</u>
Change in Net Assets of Governmental Activities	<u>\$ (433,491)</u>

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

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

Exhibit 5

	Business-type Activities - <u>Enterprise Fund</u> Garbage Collection <u>Fund</u>
ASSETS	
Current assets:	
Cash	\$ 322,704
Accounts receivable (net of allowance for uncollectibles \$ 350,657)	186,138
Other receivables	<u>67,893</u>
Total Current Assets	<u>576,735</u>
Noncurrent assets:	
Capital assets, net	<u>251,190</u>
Total Noncurrent Assets	<u>251,190</u>
Total Assets	<u>827,925</u>
LIABILITIES	
Current liabilities:	
Claims payable	66,680
Intergovernmental payables	12,884
Due to other funds	27,540
Advances from other funds	82,013
Deferred revenue	<u>51,369</u>
Total Current Liabilities	<u>240,486</u>
Noncurrent liabilities:	
Non-capital debt:	
Compensated absences payable	<u>25,313</u>
Total Noncurrent Liabilities	<u>25,313</u>
NET ASSETS	
Invested in capital assets, net of related debt	251,190
Restricted for debt service	
Unrestricted	<u>310,936</u>
Total Net Assets	<u>\$ 562,126</u>

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

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

Exhibit 6

	Business-type Activities - <u>Enterprise Fund</u> Garbage Collection <u>Fund</u>
Operating Revenues	
Charges for services	\$ 934,558
Total Operating Revenues	<u>934,558</u>
Operating Expenses	
Personal services	523,494
Contractual services	469,197
Materials and supplies	71,647
Depreciation expense	82,986
Indirect administrative cost	20,977
Total Operating Expenses	<u>1,168,301</u>
Operating Income (Loss)	<u>(233,743)</u>
Nonoperating Revenues (Expenses)	
Interest income	5,263
TVA payments in lieu of taxes	251,424
Interest expense	(2,689)
Net Nonoperating Revenue (Expenses)	<u>253,998</u>
Changes in Net Assets	<u>20,255</u>
Net Assets - Beginning, as restated	<u>541,871</u>
Net Assets - Ending	<u>\$ 562,126</u>

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

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

Exhibit 7

	Business-type Activities - <u>Enterprise Fund</u> <u>Garbage Collection Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 935,960
Payments to suppliers	(539,633)
Payments to employees	(512,729)
Net Cash Provided (Used) by Operating Activities	<u>(116,402)</u>
Cash Flows From Noncapital Financing Activities	
Cash received in lieu of taxes (TVA)	251,424
Net Cash Provided (Used) by Noncapital Financing Activities	<u>251,424</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(133,935)
Principal paid on long-term debt	(51,333)
Interest paid on debt	(2,689)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(187,957)</u>
Cash Flows From Investing Activities	
Interest on investments	<u>5,263</u>
Net Cash Provided (Used) by Investing Activities	<u>5,263</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(47,672)
Cash and Cash Equivalents at Beginning of Year	<u>370,376</u>
Cash and Cash Equivalents at End of Year	<u>\$ 322,704</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ <u>(233,743)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	82,986
Provision for uncollectible accounts	51,436
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(59,126)
(Increase) decrease in other receivables	4,974
Increase (decrease) in intergovernmental payable	10,573
Increase (decrease) in claims payable	967
Increase (decrease) in advances from other funds	13,915
Increase (decrease) in compensated absences liability	2,458
Increase (decrease) in deferred revenue	4,118
Increase (decrease) in interfund payables	5,040
Total Adjustments	<u>117,341</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (116,402)</u>

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

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

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 188,306
Due from other funds	<u>4,091</u>
Total Assets	<u><u>\$ 192,397</u></u>
 LIABILITIES	
Intergovernmental payables	\$ 189,852
Due to other funds	<u>2,545</u>
Total Liabilities	<u><u>\$ 192,397</u></u>

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

LAFAYETTE COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Lafayette 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 Lafayette County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county. There are no outside organizations that should be included as component units of the county's reporting entity.

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 financial statements.

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

B. Individual Component Unit Disclosure.

Blended Component Unit

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

The Lafayette County Public Improvement Corporation is comprised solely of the five members of the Lafayette County Board of Supervisors. Although it is created legally separate from the county under Section 31-8-3, Miss. Code Ann. (1972), the corporation is reported as if it were part of the primary government because its sole purpose is to finance and construct county public facilities.

C. Basis of Presentation.

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

LAFAYETTE COUNTY

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

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 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.

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.

D. Measurement Focus and Basis of Accounting.

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

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

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

LAFAYETTE COUNTY

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

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

The county reports the following major Governmental Funds:

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

Countywide Road Maintenance Fund - Accounts for monies from specific revenue sources that are restricted for road maintenance.

The county reports the following major Proprietary Fund:

Garbage Collection Fund - Accounts for the county's activities of disposal of solid waste within the county.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

PROPRIETARY FUND TYPE

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.

LAFAYETTE COUNTY

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

E. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 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.

F. Deposits and Investments.

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

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

G. Receivables.

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

H. Interfund Transactions and Balances.

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

I. Prepaid Items.

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

LAFAYETTE COUNTY

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

J. 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. The extent to which capital assets costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to retroactively report major general infrastructure assets by September 30, 2007. Current year general infrastructure assets are required to be reported. General infrastructure assets acquired after September 30, 1980, are not reported on the government-wide financial statements. Current year general infrastructure assets are reported on the government-wide financial statements.

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.

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
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

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

K. 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.

LAFAYETTE COUNTY

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

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.

L. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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

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

M. 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.

LAFAYETTE COUNTY

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

N. 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.

O. Compensated Absences.

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

Therefore, the county's full liability in the amount of \$233,856 for accumulated unpaid personal leave up to a maximum of 30 days per employee payable from Governmental Funds is reported as a liability in the Statement of Net Assets. In Proprietary Funds, the compensated absences are reported as a liability of the fund in the amount of \$25,313, which represents an amount up to a maximum of 30 days per employee.

(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.

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.

LAFAYETTE COUNTY

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

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	\$ 7,057,123			7,057,123
Countywide Road Maintenance		1,718,848		1,718,848
Other Governmental Funds:				
Special Revenue	5,560,054	(1,718,848)		3,841,206
Debt Service	1,237,102			1,237,102
Capital Projects	646,902			646,902
Total Governmental Funds	14,501,181	0	0	14,501,181
Governmental Activities:				
Capital assets, net		31,229,018	(7,797,080)	23,431,938
Long-term liabilities		(17,792,500)		(17,792,500)
Fines receivable			36,675	36,675
Total Governmental Funds and Governmental Activities	\$ 14,501,181	13,436,518	(7,760,405)	20,177,294
Proprietary Funds and Business-type Activities				
Garbage Collection	\$ 500,002		41,869	541,871
Total Proprietary Funds and Business-type Activities	\$ 500,002	0	41,869	541,871
Account Groups				
General Fixed Assets	\$ 31,229,018	(31,229,018)		0
General Long-term Debt	(17,792,500)	17,792,500		0
Total Account Groups	\$ 13,436,518	(13,436,518)	0	0

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2003, was \$13,223,583, and the bank balance was \$13,250,335. 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.

LAFAYETTE COUNTY

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

(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	Garbage Collection	\$ 20,977
General	Agency Funds	2,545
Countywide Road Maintenance	General	56,536
Countywide Road Maintenance	Garbage Collection	6,563
Countywide Road Maintenance	Other Governmental Funds	636
Other Governmental Funds	General	25,387
Agency Funds	General	<u>4,091</u>
Total		<u>\$ 116,735</u>

The receivables represent the tax revenue collected but not settled until October, 2003, amounts owed to Countywide Road Maintenance for supplies purchased for other funds, interest earned on agency funds and indirect costs owed by Garbage Collection Fund. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Garbage Collection	\$ <u>82,013</u>
Total		<u>\$ 82,013</u>

The amount payable to the General Fund represents indirect administrative costs.

(5) Intergovernmental Receivables.

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

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative tax credit	\$ 192,824
Reimbursement for housing prisoners	208,968
Reimbursement for deputy patrols	11,818
Reimbursement for excess tax settlement - City of Oxford	<u>133,311</u>
Total Governmental Activities	<u>\$ 546,921</u>

LAFAYETTE COUNTY

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

(6) Capital Assets.

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

Governmental activities:

	Balance Oct. 1, 2002	Additions	Deletions	Adjustments *	Balance Sept. 30, 2003
<u>Non-depreciable capital assets:</u>					
Land	\$ 3,500,659	20,000			3,520,659
Construction in progress	5,520,330	1,015,353		(102,431)	6,433,252
Total non-depreciable capital assets	<u>9,020,989</u>	<u>1,035,353</u>	<u>0</u>	<u>(102,431)</u>	<u>9,953,911</u>
<u>Depreciable capital assets:</u>					
Infrastructure				1,324,644	1,324,644
Buildings	14,974,447			(147,288)	14,827,159
Improvements other than buildings	1,393,182				1,393,182
Mobile equipment	4,447,961	238,050	57,523	(44,337)	4,584,151
Furniture and equipment	1,392,439	461,987	172,176	(612,887)	1,069,363
Total depreciable capital assets	<u>22,208,029</u>	<u>700,037</u>	<u>229,699</u>	<u>520,132</u>	<u>23,198,499</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure		33,122			33,122
Buildings		286,936		3,931,230	4,218,166
Improvements other than buildings		55,943		759,461	815,404
Mobile equipment		338,956	51,770	2,959,213	3,246,399
Furniture and equipment		138,396	169,645	564,877	533,628
Total accumulated depreciation	<u>0</u>	<u>853,353</u>	<u>221,415</u>	<u>8,214,781</u>	<u>8,846,719</u>
Total depreciable capital assets, net	<u>22,208,029</u>	<u>(153,316)</u>	<u>8,284</u>	<u>(7,694,649)</u>	<u>14,351,780</u>
Governmental activities capital assets, net	<u>\$ 31,229,018</u>	<u>882,037</u>	<u>8,284</u>	<u>(7,797,080)</u>	<u>24,305,691</u>

LAFAYETTE COUNTY

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

Business-type activities:

	Balance Oct. 1, 2002	Additions	Deletions	Adjustments *	Balance Sept. 30, 2003
<u>Depreciable capital assets:</u>					
Buildings	\$ 22,000			(22,000)	
Mobile equipment	770,078	133,935		(8,229)	895,784
Furniture and equipment	<u>22,075</u>			<u>(22,075)</u>	
Total depreciable capital assets	<u>814,153</u>	<u>133,935</u>	<u>0</u>	<u>(52,304)</u>	<u>895,784</u>
<u>Less accumulated depreciation for:</u>					
Buildings	18,217			(18,217)	
Mobile equipment	629,087	82,986		(67,479)	644,594
Furniture and equipment	8,477			(8,477)	
Total accumulated depreciation	<u>655,781</u>	<u>82,986</u>	<u>0</u>	<u>(94,173)</u>	<u>644,594</u>
Total depreciable capital assets, net	<u>158,372</u>	<u>50,949</u>	<u>0</u>	<u>41,869</u>	<u>251,190</u>
Business-type activities capital assets, net	<u>\$ 158,372</u>	<u>50,949</u>	<u>0</u>	<u>41,869</u>	<u>251,190</u>

* Adjustments are the effect of implementing GASB 34, correcting prior year errors and reclassifying completed construction in progress to buildings.

Depreciation expense was charged to the following functions:

	Amount
<u>Governmental Activities:</u>	
General government	\$ 106,077
Public safety	293,843
Public works	235,190
Health and welfare	81,133
Economic development	94,100
Culture and recreation	<u>43,010</u>
Total governmental activities depreciation expense	<u>\$ 853,353</u>
<u>Business-type activities:</u>	
Garbage collection	<u>\$ 82,986</u>
Total business-type activities depreciation expense	<u>\$ 82,986</u>

LAFAYETTE COUNTY

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

As of September 30, 2003, the county had the following commitments with respect to unfinished capital projects:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Chancery building	\$ 709	May 2004
Fire station	523,532	June 2005
Firing range	271,621	January 2004
Bridge project - BR00(36)15	603,727	July 2004
Bridge project - BR00(36)17	297,337	August 2004
Road project - LSBP(36)12	28,634	November 2003
Road project - LSBP(36)13	62,718	March 2004

(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.

(8) Operating Leases.

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$233,040 for the year ended September 30, 2003. The future minimum lease receivables for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2004	\$ 233,040
2005	233,040
2006	233,040
2007	233,040
2008	233,040
2009-2013	1,062,024
2014-2018	907,260
2019-2023	544,356
Total Minimum Payments Required	<u>\$ 3,678,840</u>

LAFAYETTE COUNTY

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

(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:			
Industrial park	\$ 230,000	9.00	09-01-05
Countywide road bonds	1,395,000	5.20/5.75	03-01-14
Countywide road bonds	3,995,000	4.75/6.75	12-01-16
Courthouse and road bonds	<u>7,305,000</u>	5.25/6.375	08-01-20
Total General Obligation Bonds	<u>\$ 12,925,000</u>		
B. Limited Obligation Bonds:			
Certificates of participation - jail	\$ 1,385,000	8.00/8.75	03-01-07
Certificates of participation - Haven House	<u>1,615,000</u>	4.20/6.00	11-01-19
Total Limited Obligation Bonds	<u>\$ 3,000,000</u>		
C. Other Loans:			
Economic development loan - access road	<u>\$ 591,527</u>	4.00	09-01-14

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>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 660,000	684,129	400,000	180,815
2005	700,000	638,984	425,000	149,350
2006	615,000	593,958	455,000	114,904
2007	650,000	557,850	485,000	77,434
2008	685,000	521,057	95,000	56,002
2009 - 2013	4,095,000	2,020,989	475,000	218,808
2014 - 2018	4,240,000	911,162	475,000	109,011
2019 - 2023	<u>1,280,000</u>	<u>101,850</u>	<u>190,000</u>	<u>10,022</u>
Total	<u>\$ 12,925,000</u>	<u>6,029,979</u>	<u>3,000,000</u>	<u>916,346</u>

LAFAYETTE COUNTY

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

<u>Year Ending September 30</u>	<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 43,755	23,220
2005	45,523	21,452
2006	47,362	19,613
2007	49,276	17,699
2008	51,266	15,709
2009 - 2013	289,123	45,751
2014 - 2018	65,222	1,957
Total	\$ <u>591,527</u>	<u>145,401</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2003, the amount of outstanding debt was equal to 5.02% of the latest property assessments.

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:						
Compensated absences	\$ 224,920	8,936			233,856	
General obligation bonds	13,555,000		630,000		12,925,000	660,000
Limited obligation bonds	3,380,000		380,000		3,000,000	400,000
Other loans	632,580		41,053		591,527	43,755
Total	\$ <u>17,792,500</u>	<u>8,936</u>	<u>1,051,053</u>	<u>0</u>	<u>16,750,383</u>	<u>1,103,755</u>
Business-type Activities:						
Compensated absences	\$ 22,855	2,458			25,313	
Equipment notes	51,333		51,333			
Total	\$ <u>74,188</u>	<u>2,458</u>	<u>51,333</u>	<u>0</u>	<u>25,313</u>	<u>0</u>

(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.

LAFAYETTE COUNTY

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

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.

Solid Waste Revenue Refunding Bonds - In 1998, solid waste revenue refunding bonds were issued by the Three Rivers Solid Waste Management Authority for \$8,210,000. As part of a solid waste disposal service agreement between Lafayette County and Three Rivers Solid Waste Management Authority, the county has agreed to pay its pro rata share of any obligations of the authority that are not covered by fees generated from solid waste disposal services. The county's pro rata share of the \$6,210,000 refunding bonds balance at September 30, 2003, is \$547,101.

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

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

<u>Description</u>	<u>Balance at Sept. 30, 2003</u>
Hospital revenue bonds	\$ <u>13,960,000</u>

(12) Joint Ventures

The county participates in the following joint ventures:

Lafayette County is a participant with the City of Oxford in a joint venture, authorized by Section 19-5-99, Miss. Code Ann. (1972), to operate the Lafayette-Oxford Development Association. The joint venture was created to foster, encourage and facilitate economic development in the county and is governed by a five-member board. One member each is appointed by the Lafayette County Board of Supervisors, the City of Oxford, the University of Mississippi, Chamber of Commerce and the business community. By contractual agreement, the county's appropriation from the General Fund this year to the joint venture amounted to \$100,700. Complete financial statements for the Lafayette-Oxford Development Association can be obtained from 299 Jackson Avenue, Oxford, MS 38655.

Lafayette County is a participant with DeSoto, Panola, Tate and Tunica Counties in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the First Regional Library. The joint venture was created to provide free library service to the citizens of the respective counties. First Regional Library is governed by a five-member board. Each Board of Supervisors appoints one member. The county appropriated \$293,000 this year to the joint venture. Complete financial statements for the First Regional Library can be obtained from the main office in Hernando or the Chancery Clerk's Office in DeSoto County.

LAFAYETTE COUNTY

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

Lafayette County is a participant with the City of Oxford in a joint venture, authorized by House Bill No. 1476 to operate the Oxford-Lafayette County Health Foundation. The joint venture was created to provide healthcare services to indigent or needy residents of the City of Oxford or Lafayette County in the most economical and efficient manner. Three members each are appointed by the Lafayette County Board of Supervisors, the City of Oxford and Baptist Memorial Hospital - North Mississippi. The services will be funded by the income from investments that are managed by Baptist Memorial Hospital - North Mississippi. The payments are made by the hospital and not by Lafayette County or the City of Oxford.

(13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Northwest Mississippi Community College operates in a district composed of the Counties of Benton, Calhoun, DeSoto, Lafayette, Marshall, Panola, Quitman, Tallahatchie, Tate, Tunica and Yalobusha. The Lafayette County Board of Supervisors appoints two of the 23 members of the college board of trustees. The county appropriated \$391,357 for the maintenance and support of the college in fiscal year 2003.

Communicare operates in a district composed of the Counties of Calhoun, DeSoto, Lafayette, Marshall, Panola, Tate and Yalobusha. The Lafayette County Board of Supervisors appoints one of the seven members of the board of commissioners. The county appropriated \$50,022 for maintenance and support of Communicare in fiscal year 2003.

Three Rivers Planning and Development District operates in a district composed of the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Lafayette County Board of Supervisors appoints five of the 40 members of the board of directors. The county appropriated \$27,610 for support of Three Rivers Planning and Development District in fiscal year 2003.

Three Rivers Solid Waste Management Authority operates in a district composed of the Counties of Calhoun, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union and the Cities of Aberdeen, Amory, Fulton, New Albany, Oxford, Pontotoc and Tupelo. The Lafayette County Board of Supervisors appoints one of the 14 members of the board of directors. Each county is billed based on solid waste volume.

Lift, Inc. operates in a district composed of the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Lafayette County Board of Supervisors appoints one of the 24 members of the board of directors. The county appropriated \$4,500 for support of Lift, Inc. in fiscal year 2003.

Northeast Mississippi Emergency Medical Services serves the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Marshall, Pontotoc, Tishomingo and Union. The Lafayette County Board of Supervisors appoints four of the 36 members of the board of directors. Lafayette County appropriated \$25,184 for support of the district in fiscal year 2003.

(14) Defined Benefit Pension Plan.

Plan Description. Lafayette 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.

LAFAYETTE COUNTY

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

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 \$406,856, \$366,449 and \$335,888, respectively, equal to the required contributions for each year.

(15) Other Information.

As a result of revenue shortfalls, the State Tax Commission had to withhold 7.9% of the March 2003 homestead exemption reimbursement from local governments. The amount withheld from Lafayette County during the 2002-2003 fiscal year was \$20,669.

(16) Subsequent Events.

Subsequent to September 30, 2003, Lafayette 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>
04-15-04	1.15/3.80	\$ 2,545,000	General obligation refunding bonds	Ad valorem taxes
08-31-04	3.20	196,249	Lease purchase	Ad valorem taxes
09-20-04	3.00	1,800,000	CAP loan	General Fund revenues
11-01-04	3.19	68,500	Lease purchase	Ad valorem taxes
11-15-04	3.25	310,425	Lease purchase	Ad valorem taxes
01-18-05	3.20	23,671	Lease purchase	Ad valorem taxes
02-07-05	3.22	40,837	Lease purchase	Ad valorem taxes
03-07-05	3.22	39,918	Lease purchase	Ad valorem taxes
05-16-05	3.89	9,620	Lease purchase	Ad valorem taxes

On December 1, 2003, the Board of Supervisors accepted the bid of Mike Williamson to purchase 588 acres of land for \$1,518 per acre or \$892,584.

On August 13, 2004, the Board of Supervisors approved the purchase of the Emerson Electric Property for \$1,950,000 and the leasing of said property to the Lafayette County Economic Development District to be subleased to the Olin Corporation.

LAFAYETTE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

LAFAYETTE 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)
REVENUES				
Property taxes	\$ 3,763,000	3,763,000	4,119,125	356,125
Licenses, commissions and other revenue	307,500	307,500	399,473	91,973
Fines and forfeitures	302,000	302,000	373,260	71,260
Intergovernmental revenues	256,500	256,500	646,499	389,999
Charges for services	787,000	787,000	1,105,182	318,182
Interest income	250,000	250,000	188,461	(61,539)
Miscellaneous revenues	151,000	151,000	568,331	417,331
Total Revenues	<u>5,817,000</u>	<u>5,817,000</u>	<u>7,400,331</u>	<u>1,583,331</u>
EXPENDITURES				
Current:				
General government	5,123,885	5,084,909	4,018,144	1,066,765
Public safety	3,223,396	3,254,022	2,887,729	366,293
Health and welfare	323,137	331,487	318,805	12,682
Culture and recreation	65,600	65,600	65,600	
Education	8,000	8,000		8,000
Conservation of natural resources	84,822	84,822	73,573	11,249
Economic development and assistance	166,810	166,810	147,906	18,904
Debt service:				
Principal	328,000	328,000	326,609	1,391
Interest	158,000	158,000	157,793	207
Total Expenditures	<u>9,481,650</u>	<u>9,481,650</u>	<u>7,996,159</u>	<u>1,485,491</u>
Excess of Revenues over (under) Expenditures	<u>(3,664,650)</u>	<u>(3,664,650)</u>	<u>(595,828)</u>	<u>3,068,822</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			23,133	23,133
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>23,133</u>	<u>23,133</u>
Net Change in Fund Balance	(3,664,650)	(3,664,650)	(572,695)	3,091,955
Fund Balances - Beginning	<u>3,664,650</u>	<u>3,664,650</u>	<u>5,733,719</u>	<u>2,069,069</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>0</u>	<u>5,161,024</u>	<u>5,161,024</u>

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

LAFAYETTE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Road Maintenance Fund
 For the Year Ended September 30, 2003

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,455,000	1,455,000	935,120	(519,880)
Road and bridge privilege taxes			372,374	372,374
Intergovernmental revenues	801,000	801,000	921,953	120,953
Interest income	50,000	50,000	29,464	(20,536)
Miscellaneous revenues	5,000	5,000	208,148	203,148
Total Revenues	<u>2,311,000</u>	<u>2,311,000</u>	<u>2,467,059</u>	<u>156,059</u>
EXPENDITURES				
Current:				
Public works	3,337,850	3,337,850	2,718,976	618,874
Total Expenditures	<u>3,337,850</u>	<u>3,337,850</u>	<u>2,718,976</u>	<u>618,874</u>
Excess of Revenues over (under) Expenditures	<u>(1,026,850)</u>	<u>(1,026,850)</u>	<u>(251,917)</u>	<u>774,933</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	150,000	150,000		(150,000)
Total Other Financing Sources and Uses	<u>150,000</u>	<u>150,000</u>	<u>0</u>	<u>(150,000)</u>
Net Change in Fund Balance	(876,850)	(876,850)	(251,917)	624,933
Fund Balances - Beginning	<u>876,850</u>	<u>876,850</u>	<u>1,623,614</u>	<u>746,764</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>0</u>	<u>1,371,697</u>	<u>1,371,697</u>

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

LAFAYETTE 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 GASB 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).

LAFAYETTE 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>Countywide Road Maintenance</u>
Budget (Cash Basis)	\$ (572,695)	(251,917)
Increase (Decrease)		
Net adjustments for revenue accruals	62,254	118,401
Net adjustments for expenditure accruals	(209,652)	62,102
To record excess of revenues and other sources over (under) expenditures and other uses for nonbudgeted funds	<u>55,382</u>	<u> </u>
GAAP Basis	<u>\$ (664,711)</u>	<u>(71,414)</u>

D. Unbudgeted Funds.

The following funds were not budgeted for the year ended September 30, 2003:

Haven House
Jail COP

The unbudgeted funds are in violation of state law. However, the county has no liability associated with the violation.

LAFAYETTE COUNTY

(This page left blank intentionally)

LAFAYETTE COUNTY

SPECIAL REPORTS

LAFAYETTE COUNTY

(This page left blank intentionally)



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
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Board of Supervisors
Lafayette County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lafayette County, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated June 14, 2005. The auditor's report is qualified on the General Fund because the county did not maintain adequate subsidiary records documenting the fines receivable of the Justice Court or the aging of these fines receivable. Except for the limitations related to the qualified opinion, 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 Lafayette 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 Lafayette 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 June 14, 2005, included within this document.

Internal Control Over Financial Reporting

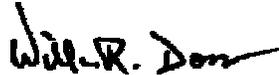
In planning and performing our audit, we considered Lafayette County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial 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 Lafayette 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 as items 03-1, 03-2, 03-3, 03-4, 03-5 and 03-6.

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 financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 03-3 and 03-6 to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than this specified party. 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

June 14, 2005



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Lafayette County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Lafayette 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 Lafayette 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 Lafayette 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 are disclosed below:

Inventory Control Clerk.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. We noted the following deficiencies in the capital asset records:

- a. Some assets in excess of the threshold amounts were not included as capital assets and therefore were not depreciated.

- b. Some assets below the threshold amounts were included as capital assets and were depreciated.
- c. The valuation of one building could not be substantiated by supporting documentation.

Adjustments were made to the financial statements to correct these errors.

Recommendation

The Inventory Control Clerk should ensure that capital asset thresholds are consistently applied when reporting capital assets and depreciation expense. The Inventory Control Clerk should also ensure that all asset valuations are supported by adequate documentation.

Inventory Control Clerk's Response

You only had one finding regarding my role as inventory clerk. I understand that you have made what corrections need to be made, for which I thank you for your help. You did ask me about the value assigned to the hospital. The county had previously negotiated for the sale of the hospital, which is subject to a lease. The county had previously received an appraisal indicating the value. In light of these estimates, the value was primarily increased to reflect that amount.

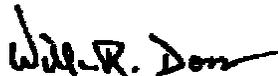
In our opinion, except for the noncompliance referred to in the preceding paragraph, Lafayette County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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 Lafayette 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

June 14, 2005

LAFAYETTE 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.

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

Schedule 2

Our test results did not identify any emergency purchases.

LAFAYETTE 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.

LAFAYETTE COUNTY

(This page left blank intentionally)



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
Lafayette County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lafayette County, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated June 14, 2005. The auditor's report is qualified on the General Fund because the county did not maintain adequate subsidiary records documenting the fines receivable of the Justice Court or the aging of these fines receivable. Except for the limitations related to the qualified opinion, 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 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 19-11-11, Miss. Code Ann. (1972), requires the Board of Supervisors to prepare a budget for all funds, except Trust and Agency funds. As reported in the prior year audit report, some funds were not budgeted.

Recommendation

The Board of Supervisors should budget all funds.

Board of Supervisors' Response

The incoming Board of Supervisors amended the FY 2004 Lafayette County budget in the second fiscal quarter to include all funds. The current Lafayette County budget (FY 2005) includes all funds. The FY 2006 budget currently under development also will include all funds.

Chancery Clerk.

2. Finding

Section 19-13-29, Miss. Code Ann. (1972), requires the Chancery Clerk to mark “filed” on each claim received for consideration of payment by the Board of Supervisors, as of the date of presentation, and shall audit, number and docket the same consecutively under the heading of each fund in the book of accounts required by Section 19-11-13, Miss. Code Ann. (1972), out of which the same shall be paid. The Chancery Clerk shall file the claims in like manner and preserve them as records of his office. In issuing any warrant on allowance by the Board of Supervisors to pay any one of the claims so numbered and kept, said clerk shall enter the number of the claim and designate the fund against which allowed in the body of the warrant so that the claim may be easily found and identified, and so that possible duplication may be avoided. As reported in the prior year’s audit report, the Chancery Clerk failed to file all claims so they can be easily found and identified.

Recommendation

The Chancery Clerk should file the claims presented for consideration of payment by the Board of Supervisors so that each claim may be easily found and identified.

Chancery Clerk’s Response

First, you indicated that you could not find certain claims. There was a total of five claims at issue. Your auditors had overlooked three (3) and two (2) others were found within minutes of your raising a question with me. It should be noted that Lafayette County processed about 6,000 claims per fiscal year.

Auditor’s Note

While it is true that the auditor evidently overlooked a couple of these claims, the remaining claims in question were filed in such a fashion, that only someone with detailed knowledge of the bookkeeper’s filing system could have ever located them. The bookkeeper also had to locate other claims on a previous occasion. These claims were not filed in the manner specified by law.

3. Finding

Section 9-1-43, Miss. Code Ann. (1972), established a salary cap of \$83,160 for the Chancery Clerk after making deductions for employee salaries and related salary expenses, and expenses allowed as deductions by Schedule C of the Internal Revenue Code and required the clerk to keep a journal of all transactions. A review of the former Chancery Clerk’s fee journal indicated that the clerk had included 13 months payroll expense for the 2003 calendar year. On December 31, 2003, the former Chancery Clerk wrote a check in the amount of \$10,872.32 to Lafayette County for his employees’ payroll expenses. These employees were not actually paid by the county until January 2, 2004. Since the implementation of the salary cap in 1996, the Chancery Clerk has always reported 12 months of payroll expense. This appears to have been an effort to circumvent the salary cap.

Recommendation

The payment to Lafayette County for January 2004 payroll expenses should be reported as an expense in 2004. This will cause the former Chancery Clerk to exceed the salary cap by an additional \$10,872.32. The former Chancery Clerk should refund to the county the amount over the salary cap.

Former Chancery Clerk's Response

Regarding this finding, I reimbursed the county for expenses of certain employees of the Chancery Clerk. I did so on December 31, 2003, being the last business day of my tenure. I did so because we closed out the fee journal that day and I wanted to ensure that these funds were properly received into the county's treasury. While I have not specifically researched the issue, I believe January 1, 2004 was a holiday, and, pursuant to statute, I recall that checks are to be issued to employees on the day proceeding a holiday. I may be wrong on this point and await your further comments. Meanwhile, a check is attached.

Auditor's Note

The county's payroll was dated January 2, 2004. The former Chancery Clerk paid \$10,872.32 to the General Fund on May 27, 2005, as evidenced by receive warrant number 1102.

Tax Assessor-Collector.

4. Finding

Section 19-5-22, Miss. Code Ann. (1972), provides that the Board of Supervisors may notify the Tax Assessor-Collector of any unpaid fees assessed under Section 19-5-21 within 90 days after they become due. Upon receipt of a delinquency notice, the Tax Assessor-Collector shall not issue or renew a motor vehicle road and bridge privilege license for any motor vehicle owned by a person who is the delinquent in the payment of the fees until these fees in addition to any other taxes or fees assessed against to motor vehicle are paid. Our test work revealed that numerous tags were issued to persons with delinquent garbage bills.

Recommendation

The Tax Assessor-Collector should flag the car tags of any account that is delinquent, and not issue or renew a motor vehicle road and bridge privilege license to anyone who has an outstanding delinquency pursuant to orders issued by the Board of Supervisors.

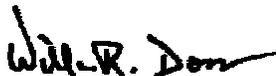
Tax Assessor-Collector's Response

I will comply.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than this specified party. 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

June 14, 2005

LAFAYETTE COUNTY

(This page left blank intentionally)

LAFAYETTE COUNTY

SCHEDULE OF FINDINGS

LAFAYETTE COUNTY

(This page left blank intentionally)

LAFAYETTE COUNTY

Schedule of Findings
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 financial statements:	Qualified
2.	Material noncompliance relating to the financial statements?	No
3.	Internal control over financial reporting:	
a.	Material weaknesses identified?	Yes
b.	Reportable conditions identified that are not considered to be material weaknesses?	Yes

Section 2: Financial Statement Findings

Board of Supervisors.

03-1. Finding

Inadequate controls exist in the payroll function.

Recommendation

The Board of Supervisors should implement an adequate system of internal control over the county payroll function that includes the following:

- a. As reported in the last two years' audit reports, payroll records should be centrally maintained for accumulated employee benefits (vacation, medical, etc.).
- b. As reported in the prior year audit report, personnel files should be updated with current withholding forms and documentation for all deductions whenever changes are made.

Board of Supervisors' Response

- a. The Lafayette County Comptroller receives a time sheet from all department heads and maintains records on each employee in a central, secured location. On September 30th of each year, the Comptroller calculates the accrued liability for leave for each employee based upon information provided by each department head. This information is also maintained in a central file.
- b. Withholding forms are on file for each employee and are updated and replaced in the central file whenever an employee's withholding status changes. As a corrective action, the Comptroller is in the process of reviewing each employee record to confirm or update as appropriate.

LAFAYETTE COUNTY

Schedule of Findings
For the Year Ended September 30, 2003

Chancery Clerk.

03-2. Finding

Controls in the payroll function are inadequate. The former Chancery Clerk received payments in excess of those authorized by the Board of Supervisors in the board minutes for his duties as County Administrator and Inventory Control Clerk. For the time period of October 2002 through January 2004, he received \$300.00 in excess of authorized amounts for County Administrator, was underpaid \$600.00 as Comptroller based on authorized amounts and received \$3,500.00 in excess of authorized amounts for his duties as Inventory Control Clerk.

Recommendation

The former Chancery Clerk should refund \$3,200.00 for the net amount of these excess payments and underpayment, along with the matching social security in the amount of \$145.20 and matching retirement in the amount of \$351.00 to the General Fund of the county.

Chancery Clerk's Response

This was an oversight. This has been paid.

Auditor's Note

The former Chancery Clerk paid \$3,696.20 to the General Fund on May 27, 2005, as evidenced by receive warrant number 1103.

Tax Assessor-Collector.

03-3. Finding

We noted a weakness in the controls over the settlement of real property taxes. Audit procedures indicated a shortage in the amount of real, personal and public utility taxes that should have been settled to the Countywide Road Maintenance Fund. This error apparently occurred due to incorrect information being entered into the master files of the tax settlement program at the beginning of the tax year for certain properties in the Oxford Separate School District. This incorrect information resulted in one-half of the road maintenance taxes collected on these properties being settled to the City of Oxford in error. All of the road maintenance taxes collected within these districts should have been settled to the Countywide Road Maintenance Fund. Based on corrected settlement reports prepared during the audit, the amount of the shortage is \$133,310. The financial statements were adjusted to reflect a receivable from the City of Oxford for this amount.

Recommendation

The Tax Assessor-Collector should implement controls to ensure that tax collections are settled properly. She should also obtain a refund of \$133,310 from the City of Oxford.

Tax Assessor-Collector's Response

A refund of \$133,310 from the City of Oxford was received on January 21, 2005. In the future, more than one person will be responsible for checking data entry.

LAFAYETTE COUNTY

Schedule of Findings
For the Year Ended September 30, 2003

Auditor's Note

The City of Oxford refunded \$133,310 to the county on January 21, 2005, as evidenced by receive warrant number 11124.

Circuit Clerk.

03-4. Finding

Control procedures were inadequate for maintaining adequate subsidiary records documenting the aging of fines receivables. The fines receivable amounts by aging category did not agree with the total fines receivable amounts. Also, one aging category reported a negative balance in error.

Recommendation

The Circuit Clerk should ensure that control procedures are in place to maintain adequate fines receivable records documenting the aging of these individual fees. The total of the individual aging categories amounts should agree with the total fines receivable and negative amounts should not be reported for any fine receivable in any category.

Circuit Clerk's Response

I have discussed this finding with our computer programers.

Inventory Control Clerk.

03-5. Finding

We noted the following deficiencies in the capital asset records:

- a. Some assets in excess of the threshold amounts were not included as capital assets and therefore were not depreciated.
- b. Some assets below the threshold amounts were included as capital assets and were depreciated.
- c. The valuation of one building could not be substantiated by supporting documentation.

Adjustments were made to the financial statements to correct these errors.

Recommendation

The Inventory Control Clerk should ensure that capital asset thresholds are consistently applied when reporting capital assets and depreciation expense. The Inventory Control Clerk should also ensure that all asset valuations are supported by adequate documentation.

Inventory Control Clerk's Response

You only had one finding regarding my role as inventory clerk. I understand that you have made what corrections need to be made, for which I thank you for your help. You did ask me about the value assigned to the hospital. The county had previously negotiated for the sale of the hospital, which is subject to a lease. The county had previously received an appraisal indicating the value. In light of these estimates, the value was primarily increased to reflect that amount.

LAFAYETTE COUNTY

Schedule of Findings
For the Year Ended September 30, 2003

Justice Court.

03-6. Finding

Control procedures were inadequate for maintaining adequate subsidiary records documenting fines receivable of the Justice Court and the aging of these receivables. Therefore, the Independent Auditors' Report on the financial statements of the General Fund is qualified because we were not able to satisfy ourselves as to the fair presentation of the Justice Court fines receivable.

Recommendation

The Justice Court Clerk should establish control procedures to maintain adequate subsidiary fines receivable records documenting the individual fines that comprise the fines receivable balance as well as the aging of these individual fines.

Justice Court Clerk's Response

This has been corrected.