



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

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**LOWNDES COUNTY, MISSISSIPPI**

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



LOWNDES COUNTY

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LOWNDES COUNTY

FINANCIAL SECTION

LOWNDES COUNTY

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## State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

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

Members of the Board of Supervisors  
Lowndes County, Mississippi

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

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

As discussed in Note 1(H) of the financial statements, management has chosen not to present capital assets in governmental activities and, accordingly, has not recorded depreciation expense on capital assets. Accounting principles generally accepted in the United States of America require that capital assets be capitalized and depreciated, which would increase the assets and expenses of the governmental activities. The amount by which this departure would affect the assets and expenses of the governmental activities is not reasonably determinable.

Management has neither maintained adequate records documenting fines receivable of the Justice Court nor adopted procedures for reviewing the collectibility of these fines. Accounting principles generally accepted in the United States of America require that fines receivable be recorded and an adequate allowance be provided for uncollectible receivables, which would increase the assets and change the revenues in the governmental activities and the General Fund. The amount by which this departure would affect the assets and revenues of the governmental activities and the General Fund is not reasonably determinable.

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

In our opinion, because of the effects of the matters discussed in the third and fourth paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of Lowndes County, Mississippi, as of September 30, 2003, and the changes in financial position thereof for the year then ended.

In our opinion, except for the effects of not recording fines receivable, net of allowance for uncollectibles, of the Justice Court for the General Fund as described in the fourth paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund of Lowndes County, Mississippi, as of September 30, 2003, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Countywide Road Maintenance Fund, the Economic Development Fund and the aggregate remaining fund information of Lowndes County, Mississippi, as of September 30, 2003, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, Lowndes 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.

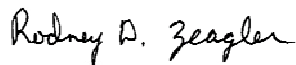
In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2004, on our consideration of Lowndes County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That 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.

The Management's Discussion and Analysis on pages 7 through 17 and the Budgetary Comparison Schedule and corresponding notes on pages 43 through 47 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. As a result of such limited procedures, we believe that the capital assets information included in the Management's Discussion and Analysis is not in conformity with accounting principles generally accepted in the United States of America because the county did not maintain adequate subsidiary records documenting the existence, completeness, valuation and depreciation of capital assets. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise Lowndes County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



PHIL BRYANT  
State Auditor



RODNEY D. ZEAGLER, CPA  
Director, Financial and Compliance Audit Division

April 6, 2004



## LOWNDES COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

LOWNDES COUNTY

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis by Lowndes County (the County) is designed to provide and assist the reader with (a) an overview of the County's financial activities for the year ending September 30, 2003, (b) any significant financial issues, (c) changes in the County's financial position, and (d) identify any significant deviations from the County's financial plan (the original budget). This discussion and analysis by management is designed to focus on the fiscal year being audited. Readers also might wish to view the financial statements and the notes to these statements to gain a better understanding of the County's financial picture.

The management discussion and analysis is a new requirement from the Governmental Accounting Standards Board which issues the standards for auditing County governments. This requirement for management to write a discussion and analysis is only a part of an overall change in new auditing requirements coming from GASB Statement No. 34. The overall intent of the changes is to make government financial statements more like business ones which show economic gain and loss.

While larger cities and governments were required to implement these standards last year, this will be the first year for Lowndes County. Under GASB 34, it allows omission of prior year data in the first year of implementation. Lowndes County has chosen not to present comparative data with the prior year.

### **Financial Highlights**

Lowndes County continues to be financially stable. This commitment has been through conservative budgeting, reappraisal, monitoring expenses and keeping debt low.

The County continues to grow economically which has produced a steady growth in tax revenues without tax increases. During the 2000 fiscal year, the County decreased the tax rate by lowering the millage 5.08 mills to 45.08 and has been kept at this rate through the 2004 budget.

The County's total net assets increased by \$417 thousand (10 %).

Total revenues for the County's governmental funds were \$23.6 million. Of these revenues \$14.0 was in the General Fund (the County's primary operating fund) and \$3.9 was in the County Road Fund. Tax revenues accounted for \$12.9 million which represents 54.6 % of the total revenues.

Overall the County spent \$24.3 million which was \$756 thousand over revenues accounted for in the fiscal year 2003. Part of this came from the Economic Development Fund in which \$571 thousand more was expended over revenues coming in. This is normal as this fund was set aside for economic development with the only revenue source being interest. During this year the Board of Supervisors granted \$500 thousand from the fund for the new Eurocopter plant in West Lowndes County.

Among the major funds, the General Fund spent 13.7 million which was \$369 thousand less than the revenues it took in. Spending in the General Fund was about as expected and revenues were over what was expected. Overall the fund balance of the General fund increased \$425 thousand to \$6.2 million.

Another major fund, the Countywide Road Maintenance Fund spent 4.5 million which was \$612 thousand more than the revenue it received. Its fund balance decreased \$612 thousand to \$290 thousand.

Long-term debt from General Obligation Bonds, loan and capital leases decreased overall from \$9.3 to \$8.4 million. General Obligation Bond debt was paid down \$483 thousand and loans payable was decreased \$280 thousand. The County added \$350 thousand in new capital leases, but paid down \$475 thousand of old capital leases. The new capital leases which were added were for road equipment (\$257,670) and sheriff's vehicles (\$92,822).

### **Using the Annual Report**

The primary focus of local government's financial statements in the past has been on fund-type information. This has been discarded. The new focus is the County as a whole (government-wide) and the major individual funds. The following discussion is intended to explain the County's basic financial statements which are comprised of 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

**Government-Wide Financial Statements.** The government-wide financial statements are designed to provide readers with a business like overview of the County's financial activities.

The focus of the Statement of Net Assets is designed to be similar to the bottom line for the County and its governmental and business-type activities. It presents financial information on all the County assets and liabilities with the difference being reported as net assets. Over time readers can use the increases and decreases in net assets as a possible indicator of the financial health of the County. Is it improving, staying the same or deteriorating?

Component Units which are other governmental units over which the county (the Board of Supervisors as a group) can exercise influence and/or be obligated to provide to provide financial assistance. These units are presented as a separate column in the government-wide statements and as individual activities in the Fund Financial Statement. No Component Units are presented in the County's Financial Statements.

The Statement of Activities is focused on the gross and net cost of various activities. These include activities of government, business-type and component units which are provided by the government's general tax and other revenues. This statement is intended to summarize and simplify the reader's analysis of the cost of various government services, business-type activities and component units.

Governmental activities of the County include general government (basic services), public safety (sheriff, emergency management and fire protection), public works (roads and bridges), health and welfare, culture and recreation, education, economic development and interest on long-term debt. Included in basic services (general government) are costs for running the government, collecting taxes, appraising property and personal taxes, building inspection, supervisors, circuit clerk, chancery clerk and running the courts.

**Fund Financial Statements.** The focus is now on Major Funds rather than fund types. A fund is used to group related accounts for financial purposes or legal compliance. The funds of the County are divided into governmental, proprietary and fiduciary funds.

Governmental funds account for basically the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide statements, governmental funds financial statements focus on current sources and uses. This is the manner in which the County's financial plan or budget is typically developed. Governmental funds include general, special revenue, debt service and capital project funds.

Financial information for governmental funds is presented in the Governmental Funds Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds. Both of these reports are reconciled to provide a comparison between governmental funds and governmental activities.

**Proprietary Funds.** These are business-type funds. The enterprise funds are used to report the same functions as business-type activities in the government-wide financial statement. Examples of enterprise funds are solid waste, electric departments and water and waste systems. Internal service funds account for various internal County functions such as self-insured health plans. Lowndes County neither uses enterprise or internal service funds.

**Fiduciary funds.** These funds are used to account for trust responsibilities of the government. These assets are usually restricted in purpose and do not represent discretionary assets, so they are not presented as part of the Government-Wide Financial Statements.

The County follows the Mississippi County Financial Accounting Manual issued by the Mississippi Office of the State Auditor to set up and maintain funds. The County adopts an annual operating budget for all governmental funds. As ***required supplementary information***, this discussion and analysis includes a budgetary comparison statement for each major fund.

## **Government-Wide Financial Analysis**

### **Statement of Net Assets**

The following statement reflects the condensed Statement of Net Assets for the year ended September 30, 2003.

#### **Lowndes County Statement of Net Assets As of September 30, 2003**

	<b><u>Governmental Activities</u></b>
Current Assets	\$28,103,917
	<u>-</u>
Total Assets	\$28,103,917
Current Liabilities	14,779,141
Long-Term Debt Outstanding	<u>8,648,578</u>
Total Liabilities	23,427,719
Net Assets	
Invested in Capital Assets, Net of Related Debt	(2,415,027)
Restricted	6,240,792
Unrestricted	<u>850,435</u>
Total Net Assets	<u>\$4,676,198</u>

There are usually six basic normal financial transactions that will affect the Statement of Net Assets.

**Net Result of Activities** – This will either increase/decrease current assets and unrestricted assets. Lowndes County net assets increased by \$417 thousand. This was mainly due to spending less than revenues coming in.

**Borrowing for Capital** – This will increase current assets and long-term debt. The County didn't participate in any major borrowing in FY 2003. The County did borrow \$350 thousand in capital leases.

**Spending Borrowed Proceeds on New Capital** – This will reduce current assets and increase capital assets. This also will increase the amount invested in capital assets and related net debt which will not change the invested in capital assets, net of debt. The County spent the \$350 thousand it borrowed on road equipment and vehicles for law enforcement.

**Spending of Non-borrowed Current Assets on New Capital** – This will reduce current assets, increase capital assets, reduce unrestricted assets, and increase invested in capital assets, net of debt. Lowndes spent \$602 thousand for heavy road equipment, other road equipment, fire tanker truck, fire equipment, upgraded security system at adult detention center, radios, computers, printers and other office equipment.

**Principal Payment on Debt** – This will reduce current assets, reduce long-term debt, reduce unrestricted net assets, and increase invested in capital assets, net of debt. The County reduced debt principal by \$894 thousand from \$9.3 million to \$8.4 million.

**Reduction of Capital Assets through Depreciation** – This will reduce capital assets and invested in capital assets, net of debt. This is a non-cash expense. The County does not have any depreciation reflected in its financial statements.

### **Changes in Net Assets**

Lowndes County's total revenues for the fiscal year ended September 30, 2003 was \$23.6 million. The total cost for services provided by the County was \$23.2 million. The difference left the County with a net asset increase of \$417 thousand. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2003.

	<b><u>Amount</u></b>
<b><u>Revenues:</u></b>	
Program Revenues	
Charges for Services	\$3,772,197
Operating Grants	2,275,211
Capital Grants	516,668
General Revenues	
Property Taxes	12,963,736
Road & Bridge Privilege Taxes	640,222
Grants & Contributions	2,104,454
Other Revenues	<u>1,352,754</u>
Total Revenues	23,625,242
 <b><u>Expenses:</u></b>	
General Government	4,805,574
Public Safety	7,498,076
Public Works	7,006,386
Economic Development	1,868,350
Interest on Debt	424,644
Other Expenses	<u>1,605,164</u>
Total Expenses	<u>23,208,194</u>
Increase in Net Assets	<u>\$417,048</u>

**Governmental Activities:**

The following table presents the cost of six of the major services provided by the County. These are General Government, Public Safety, Public Works, Health and Welfare, Culture and Recreation and Economic Development.



The table summarizes what some of major services cost the taxpayers of Lowndes County.

	<b><u>Total Costs</u></b>	<b><u>Service Revenues</u></b>	<b><u>Net Costs</u></b>
General Government	\$4,805,574	\$1,524,299	\$3,281,275
Public Safety	7,498,076	1,448,003	6,050,073
Public Works	7,006,386	2,780,738	4,225,648
Health and Welfare	506,362	104,770	401,592
Culture and Recreation	902,420	-	902,420
Economic Development	1,868,350	627,198	1,241,152

### **Financial Analysis of the County's Funds**

#### **Governmental Funds:**

As of year end, the government funds reported, as audited, a fund balance of \$12,175,120. This is a decrease of \$405,425 from the prior year's fund balance of \$12,580,545.

The General Fund, the County's principal operating fund had an ending fund balance of \$6,205,285. This was an increase of \$425,363 over last year. This was mainly because the General Fund took in more revenues than was spent.

The County's Road Fund, however, spent \$612,638 more than the revenue it received, accounting for part of the reduction in overall fund balance. Part of this can be accounted for because of a major cleanup from a November 2002 storm which was declared a Federal Disaster. The County receives only 87.5 % for some parts of the cleanup and is awaiting 12.5% of that reimbursement having received 75 % from Federal Emergency Management Agency (FEMA).

One other fund, the County's Economic Development Fund, also showed a \$595,882 decline in fund balance. This was due to spending \$570,874 more than the revenues taken in, and transferring \$25,008 to another fund for a match on a water project. This is sometimes normal for an Economic Development Fund as the governing authority, the Board of Supervisors with a majority vote, grant funds for economic development. This sometimes falls in years in which revenue does not come into the fund to cover the amount which is going out. This is what prior year funds have been set aside - future economic development. This was the case this year in which \$500,000 was granted to help match state and federal grants for the Eurocopter project at the Golden Triangle Regional Airport in western Lowndes County.

## Capital Assets and Debt Administration

### Capital Assets:

As of September 30, 2003, Lowndes County had \$200.8 million invested in a variety of capital assets. The largest investments are in roads and bridges with a total of \$161 million (80%). Roads and bridges and other infrastructure are now included, as required by GASB 34) in the County's asset records for the first time. The beginning balance of infrastructure (see asset table below) was same as ending balance, not accounting for depreciation as the County didn't build any new roads or bridges this year, but maintained the current roads and bridges in its road system.

### Capital Assets at Year-end Not Net of Depreciation

	<u>Prior Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2003</u>
Land	\$915,624			915,624
Buildings	27,710,267	795	1,358,048	26,353,014
Mobile Equipment	7,691,567	262,842	531,077	7,423,332
Furniture & Equipment	3,273,203	385,082	103,402	3,554,883
Infrastructure	161,009,900			161,009,900
Capital Leases	1,247,885	350,492		1,598,377
	<u>\$201,848,446</u>	<u>999,211</u>	<u>1,992,527</u>	<u>200,855,130</u>

The County's total net assets went down \$993 thousand mainly due to the removal of the Juvenile Detention Center/Department of Human Services building from the fixed assets inventory after the building was totally destroyed in the November 2002 storm. That building was on the books at \$1,358,048. The contents, which were also destroyed, are reflected in the deletions in mobile equipment and furniture and equipment. Some of the destroyed contents had been repurchased at year end, but no work had been started to replace the building.

Some of this year's major asset additions are:

Camera/Monitor Jail Security System	\$52,920
03 International Fire Tanker	97,000
03 International Dump Truck	80,700
03 International Dump Truck	80,700
03 International Truck	75,314
03 Ford Tractors (5)	96,270
03 Vehicles (6)	112,625

### Debt Outstanding:

At the end of the year (September 30, 2003), the County had \$8.4 million in outstanding long-term debt. This includes General Obligations Bonds, loans and capital lease purchases. This is \$894 thousand less than the prior year. Of the outstanding debt \$1,088,470 is due within one year.

#### Long-Term Debt As of September 30, 2003

	<u>Prior Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 9/30/2003</u>
General Obligation Bonds	\$6,499,000		483,000	6,016,000
Loans Payable	1,917,852		287,014	1,630,838
Capital Leases Payable	<u>908,200</u>	<u>350,492</u>	<u>474,503</u>	<u>784,189</u>
Total Debt Payable	\$9,325,052	350,492	1,244,517	8,431,027

The County's only new debt this year came from capital lease purchases. Road equipment and law enforcement vehicles were purchased using this method of financing. Also during the year, the County approved the assumption of two loans by Mississippi Precision Casting from North American Precision Casting. These loans are pass-through loans that are due to the State of Mississippi. Lowndes County receives the payments from Mississippi Precision and then pays the State.

The State of Mississippi limits the amount of debt Counties can issue to 15% of total assessed value. During this year, that limit would be \$57.1 million. Lowndes is well below its current limit.

#### Budget – Original vs. Final

The following is a review of the significant changes from the original budget to the final for the major governmental funds. The County's budget is a financial plan for the various departments and their management to follow during the year. This plan is made in the summer before the fiscal starts in October and estimates and projections change as the year progresses. Some changes to the budget are made by budget amendment and the remainder is amended at the end of the year to reflect actual revenues received and expenditures made.

### **Budget Analysis Summary**

	<u>Original</u>	<u>Final</u>	<u>Variance</u>
General Fund			
Revenues	\$13,436,300	\$14,650,147	\$1,213,847
Expenditures	13,819,996	14,197,405	377,409
County-wide Road Fund			
Revenues	3,034,239	4,208,317	1,174,078
Expenditures	3,034,239	4,024,764	990,525
Economic Development Fund			
Revenues	16,000	14,375	1,625
Expenditures	50,000	552,043	502,043

In the General Fund, most of the unexpected revenues came from 1) \$205 thousand from the Federal Emergency Management Agency for the November 02 storm 2) \$140 thousand more in fines and forfeitures from the courts 3) \$203 thousand charges for services. Expenditures were about on target. The November storm caused an additional \$230 thousand in unexpected expenses.

Revenues received in the road department were more than expected because 1) a \$640 thousand payment to repair roads which were damaged during the construction of a generating plant in Northern Lowndes County 2) \$439 thousand in Federal Emergency Management funds that came in from two storms that hit Lowndes County 3) \$100 thousand for the sale of equipment. Expenditures came from 1) \$86 thousand to payoff unexpected capital lease principal for 5 tractors which were experiencing more than normal mechanical problems. In the Economic Development Fund, expenditures were over what was originally budgeted because the Board of Supervisors, during the year, approved a \$500,000 grant for Eurocopter.

### **Economic Factors**

While property taxes, the main source of revenue for Counties, in some other counties in Mississippi have been stagnant or leveling off, Lowndes continues to grow at three to four percent per year. This trend is also expected next year. In addition to property tax revenue, a new electric generating plant, Congentrix, will increase the County's revenues nearly \$1 million next year. It will not go on the property tax roles but will pay taxes in-lieu directly to the County. It is estimated the electric plant will pay in \$8.6 over a 10-year period. Lowndes County has an unemployment rate of 7.7% while the State average was 5.1%.

### **Financial Contact**

The County's financial statements and schedules are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the County's finances and to demonstrate the County's accountability and fiduciary responsibilities for the funds it receives and the services it provides. If you have questions about the report or need additional financial information, contact the County's Chief Financial Officer, Davis W. Basinger, CPA, on the second floor of the Court House, 502 2<sup>nd</sup> Ave. North, P.O. Box 1364, Columbus, Mississippi 39703.

LOWNDES COUNTY

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LOWNDES COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

LOWNDES COUNTY

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LOWNDES COUNTY  
Statement of Net Assets  
September 30, 2003

Exhibit 1

	Primary Government
	Governmental
	Activities
ASSETS	
Cash	\$ 11,351,815
Property tax receivable	12,974,493
Fines receivable, (net of allowance for uncollectibles of \$5,510,101)	1,149,656
Loans receivable	1,676,597
Intergovernmental receivables	949,792
Other receivables	1,564
Total Assets	28,103,917
LIABILITIES	
Claims payable	971,164
Intergovernmental payables	548,016
Deferred revenue	12,974,493
Other payables	285,468
Long-term liabilities	
Due within one year:	
Capital related debt	584,470
Non-capital debt	504,000
Due in more than one year:	
Capital related debt	1,830,559
Non-capital debt	5,729,549
Total Liabilities	23,427,719
NET ASSETS	
Invested in capital assets, net of related debt	(2,415,029)
Restricted:	
Expendable:	
General government	17,683
Debt service	142,920
Public safety	1,570,514
Public works	1,563,396
Health & welfare	10,874
Culture & recreation	2,930
Conservation of natural resources	1,798
Economic development	1,224,080
Other purposes	1,706,597
Unrestricted	850,435
Total Net Assets	\$ 4,676,198

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

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

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and
		Charges for	Operating	Capital	Changes in Net Assets
		Services	Grants and	Grants and	Primary Government
			Contributions	Contributions	Governmental
					Activities
Primary government:					
Governmental activities:					
General government	\$ 4,805,574	1,524,299			(3,281,275)
Public safety	7,498,076	1,135,350	255,664	56,989	(6,050,073)
Public works	7,006,386	1,112,548	1,310,785	357,405	(4,225,648)
Health and welfare	506,362		104,770		(401,592)
Culture and recreation	902,420				(902,420)
Education	32,750				(32,750)
Conservation of natural resources	163,632			79,068	(84,564)
Economic development and assistance	1,868,350		603,992	23,206	(1,241,152)
Interest on long-term debt	424,644				(424,644)
Total Governmental Activities	<u>23,208,194</u>	<u>3,772,197</u>	<u>2,275,211</u>	<u>516,668</u>	<u>(16,644,118)</u>
General revenues:					
Property taxes				\$	12,963,736
Road & bridge privilege taxes					640,222
Grants and contributions not restricted to specific programs					2,104,454
Unrestricted investment income					294,341
Miscellaneous					<u>1,058,413</u>
Total General Revenues					<u>17,061,166</u>
Changes in Net Assets					<u>417,048</u>
Net Assets - Beginning, as restated					<u>4,259,150</u>
Net Assets - Ending				\$	<u><u>4,676,198</u></u>

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

LOWNDES COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2003

Exhibit 3

	Major Funds		Countywide		
	General Fund	Economic Development Fund	Road Maintenance Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 6,088,826	1,120,803	843,581	3,298,605	11,351,815
Property tax receivable	9,623,439		1,867,799	1,483,255	12,974,493
Fines receivable, (net of allowance for uncollectibles \$5,510,101)	1,149,656				1,149,656
Loans receivable	223,274	1,453,323			1,676,597
Intergovernmental receivables	353,269			596,523	949,792
Other receivables	1,564				1,564
Due from other funds	573,161		80,620	76,855	730,636
Advances to other funds	30,000				30,000
Total Assets	<u>\$ 18,043,189</u>	<u>2,574,126</u>	<u>2,792,000</u>	<u>5,455,238</u>	<u>28,864,553</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Claims payable	\$ 82,088		61,459	827,617	971,164
Intergovernmental payables	539,778			8,238	548,016
Due to other funds	157,475		573,161		730,636
Advances from other funds				30,000	30,000
Deferred revenue	10,773,095		1,867,799	1,483,255	14,124,149
Other payables	285,468				285,468
Total Liabilities	<u>11,837,904</u>	<u>0</u>	<u>2,502,419</u>	<u>2,349,110</u>	<u>16,689,433</u>
Fund balances:					
Reserved for:					
Debt service				142,920	142,920
Advances	30,000				30,000
Loans receivable	223,274	1,453,323			1,676,597
Economic development		1,120,803			1,120,803
Unreserved, reported in:					
General Fund	5,952,011				5,952,011
Special Revenue Funds			289,581	2,963,208	3,252,789
Total Fund Balances	<u>6,205,285</u>	<u>2,574,126</u>	<u>289,581</u>	<u>3,106,128</u>	<u>12,175,120</u>
Total Liabilities and Fund Balances	<u>\$ 18,043,189</u>	<u>2,574,126</u>	<u>2,792,000</u>	<u>5,455,238</u>	<u>28,864,553</u>

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

## LOWNDES COUNTY

Exhibit 3-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
September 30, 2003

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 12,175,120
Amounts reported for governmental services in the Statement of Net Assets are different because:	
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,149,656
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	<u>(8,648,578)</u>
Total Net Assets - Governmental Activities	\$ <u><u>4,676,198</u></u>

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

LOWNDES COUNTY

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## LOWNDES COUNTY

Exhibit 4

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

For the Year Ended September 30, 2003

	<u>Major Funds</u>				
	General	Economic	Countywide	Other	Total
	Fund	Development	Road	Governmental	Governmental
	Fund	Fund	Maintenance	Funds	Funds
REVENUES					
Property taxes	\$ 9,621,682		1,855,778	1,486,276	12,963,736
Road and bridge privilege taxes			640,222		640,222
Licenses, commissions and other revenue	982,820			21,300	1,004,120
Fines and forfeitures	596,000			78,139	674,139
Intergovernmental revenues	1,919,352		1,335,076	1,641,905	4,896,333
Charges for services	470,515			1,623,423	2,093,938
Interest income	234,532	47,512		12,297	294,341
Miscellaneous revenues	261,623		99,680	697,110	1,058,413
Total Revenues	<u>14,086,524</u>	<u>47,512</u>	<u>3,930,756</u>	<u>5,560,450</u>	<u>23,625,242</u>
EXPENDITURES					
Current:					
General government	4,791,726				4,791,726
Public safety	5,917,478			1,541,448	7,458,926
Public works	74,222		4,271,205	2,649,543	6,994,970
Health and welfare	458,199			48,163	506,362
Culture and recreation	837,930			64,490	902,420
Education	32,750				32,750
Conservation of natural resources	151,960			11,672	163,632
Economic development and assistance	329,111	500,000		1,039,239	1,868,350
Debt service:					
Principal	768,668	85,249	256,934	126,528	1,237,379
Interest	355,050	33,137	15,255	21,202	424,644
Total Expenditures	<u>13,717,094</u>	<u>618,386</u>	<u>4,543,394</u>	<u>5,502,285</u>	<u>24,381,159</u>
Excess of Revenues over (under) Expenditures	<u>369,430</u>	<u>(570,874)</u>	<u>(612,638)</u>	<u>58,165</u>	<u>(755,917)</u>

OTHER FINANCING SOURCES (USES)

Long-term capital debt issued	92,822			257,670	350,492
Transfers in				61,897	61,897
Transfers out	(36,889)	(25,008)			(61,897)
Total Other Financing Sources and Uses	<u>55,933</u>	<u>(25,008)</u>	<u>0</u>	<u>319,567</u>	<u>50,492</u>
Net Changes in Fund Balances	<u>425,363</u>	<u>(595,882)</u>	<u>(612,638)</u>	<u>377,732</u>	<u>(405,425)</u>
Fund Balance - Beginning, as restated	<u>5,779,922</u>	<u>3,170,008</u>	<u>902,219</u>	<u>2,728,396</u>	<u>12,580,545</u>
Fund Balance - Ending	<u>\$ 6,205,285</u>	<u>2,574,126</u>	<u>289,581</u>	<u>3,106,128</u>	<u>12,175,120</u>

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

## LOWNDES 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	\$ (405,425)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the statement of assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$1,237,379 exceeded debt proceeds of \$350,492.	886,887
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by the amount of additions to compensated absences.	<u>(64,414)</u>
Change in Net Assets of Governmental Activities	<u>\$ 417,048</u>

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



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

Exhibit 5

		Agency Funds
ASSETS		
Cash	\$	6,618
Total Assets	\$	6,618
LIABILITIES		
Intergovernmental payables	\$	6,618
Total Liabilities	\$	6,618

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

## LOWNDES COUNTY

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

#### (1) Summary of Significant Accounting Policies.

##### A. Financial Reporting Entity.

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

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

- Fire Districts
- Industrial Development Authority

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

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

##### B. Basis of Presentation.

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

##### Government-wide Financial Statements:

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

## LOWNDES COUNTY

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

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

#### Fund Financial Statements:

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

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

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

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

The county reports the following major Governmental Funds:

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

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

Economic Development Fund - Accounts for revenue sources that are used for aiding and developing industry.

## LOWNDES COUNTY

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

Additionally, the county reports the following fund types:

#### GOVERNMENTAL FUND TYPES

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

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

#### FIDUCIARY FUND TYPE

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

#### D. Account Classifications.

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

#### E. Deposits and Investments.

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

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

#### F. Receivables.

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

#### G. Interfund Transactions and Balances.

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

## LOWNDES COUNTY

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

#### H. Capital Assets.

The county chose not to report capital assets or depreciation expense in the financial statements because the county did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets or records documenting depreciation on applicable assets.

#### I. Long-term liabilities.

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

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

#### J. Equity Classifications.

Government-wide Financial Statements:

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

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, constructions or improvements of those assets. Because the county chose not to report capital assets in the financial statements, only the outstanding balances of bonds, notes and other borrowings related to capital assets are presented.

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

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

Fund Financial Statements:

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

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

#### K. Property Tax Revenues.

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

## LOWNDES COUNTY

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

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.

#### L. Intergovernmental Revenues in Governmental Funds.

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

#### M. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured; for example, an employee resigns or retires. Therefore, the county's full liability in the amount of \$217,549 for accumulated unpaid personal leave up to a maximum of 15 days per employee is reported as a liability in the Statement of Net Assets.

#### (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.

# LOWNDES COUNTY

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

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

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

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

	Sept. 30, 2002 As Previously Reported	Fund and Account Group Reclassifications	Prior Period Adjustments	Sept. 30, 2002 As Restated
Governmental Funds and Governmental Activities				
Major Funds:				
General	\$ 6,062,374		(282,452)	5,779,922
Economic Development	3,222,528		(52,520)	3,170,008
Countywide Road Maintenance	896,163		6,056	902,219
Other Governmental Funds:				
Special Revenue	2,267,209		318,267	2,585,476
Debt Service	142,920			142,920
Total Governmental Funds	12,591,194	0	(10,649)	12,580,545
Governmental Activities:				
Long-term liabilities	0	(9,478,189)	7,138	(9,471,051)
Fines receivable			1,149,656	1,149,656
Total Governmental Funds and Governmental Activities	\$ 12,591,194	(9,478,189)	1,146,145	4,259,150
Fiduciary Funds				
Nonexpendable Trust	\$ 14,560,534	0	(14,560,534)	0
Account Groups				
General Fixed Assets	\$ 41,504,492	(41,504,492)		0
General Long-term Debt	(9,478,189)	9,478,189		0
Total Account Groups	\$ 32,026,303	(32,026,303)	0	0

### (3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2003, was \$11,358,433, and the bank balance was \$12,792,642. 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.

# LOWNDES 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	Countywide Road Maintenance	\$ 573,161
Countywide Road Maintenance	General	80,620
Other Governmental Funds	General	74,544
Other Governmental Funds	General	<u>2,311</u>
Total		<u>\$ 730,636</u>

The amount payable from Countywide Road Maintenance Fund represents a diversion of public funds. Of the \$74,544 payable from the General Fund, \$49,975 represents an illegal purchase made with restricted funds and the amount is expected to be repaid within one year from the date of the financial statements. All other amounts listed are the tax revenue collected but not settled until October, 2003, and are expected to be repaid within one year from the date of the financial statements.

#### B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other Governmental Funds	<u>\$ 30,000</u>

The amount advanced represents purchases made for the fire insurance rebate fund.

#### C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	Economic Development Fund	\$ 25,008
Other Governmental Funds	General Fund	<u>36,889</u>
Total		<u>\$ 61,897</u>

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



# LOWNDES COUNTY

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

### (5) Intergovernmental Receivables.

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

Description	Amount
Community development block grant	\$ 443,826
Legislative tag credit	263,852
Federal emergency management assistance	76,610
Mississippi development infrastructure program grant	112,500
Other revenue	53,004
Total Governmental Activities	<u>\$ 949,792</u>

### (6) Loans Receivable.

Loans receivable balances at September 30, 2003, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Balance Payable
American Trouser	01/29/92	4.50	12/01/03	\$ 2,575
Chamber of Commerce Incubator Loan	04/21/92	3.00	04/30/12	30,123
Microtek	09/30/92	6.50	12/05/07	80,005
City of Columbus - ½ of recreation	05/04/94	4.80 to 5.00	05/04/09	202,500
Industrial Development Fire Loan	08/23/96	4.25	10/01/05	20,774
MS Precision Casting (MBIA)	07/01/02	0.00	02/01/11	451,000
MS Precision Casting (CDBG)	07/01/02	4.50	10/01/08	683,946
MS Precision Casting	07/01/02	4.00	06/28/08	205,674
Total				<u>\$ 1,676,597</u>

### (7) Claims and Judgments.

#### Risk Financing.

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

# LOWNDES COUNTY

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

### (8) Operating Leases.

As Lessor:

In 1993, Lowndes County entered into a lease agreement with Baptist Memorial Health Care Development Corporation to lease the county's hospital facilities. The term of the lease is 35 years, with the lessee having the option to extend the lease for three consecutive five-year terms for a maximum lease term of 50 years. To meet the rent provisions of the lease, the lessee shall satisfy all hospital long-term debt, make certain expenditures, and assume certain contracts, obligations and liabilities.

### (9) Capital Leases.

As Lessee:

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

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 1,225,515
Other furniture and equipment	<u>192,863</u>
Total	<u>\$ 1,418,378</u>

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

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 317,190	25,570
2005	239,834	14,321
2006	145,951	6,102
2007	<u>81,216</u>	<u>1,228</u>
Total	<u>\$ 784,191</u>	<u>47,221</u>

### (10) 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>
A. General Obligation Bonds:			
Jail bonds	\$ 5,666,000	5.05	12/12
Improvement bonds - fire and recreation	<u>350,000</u>	4.90 to 5.00	03/09
Total General Obligation Bonds	<u>\$ 6,016,000</u>		

LOWNDES COUNTY

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>B. Capital Leases:</b>			
2 International dump trucks	\$ 151,949	3.44	04/20/07
5 New Holland 5610 tractors	84,892	3.18	03/26/07
2 2002 International trucks	86,610	3.89	01/20/07
5 Sheriff vehicles	81,203	3.62	01/20/07
5 2002 Sheriff vehicles	73,878	3.99	01/20/07
2 2001 International trucks	57,941	5.59	02/20/06
ES & S election system	131,098	3.99	08/20/05
6 2002 pickup trucks	45,077	3.99	01/20/05
3 John Deere 2001 excavators	53,277	4.74	08/20/04
7 Sheriff vehicles	16,150	5.23	02/20/04
Ford New Holland 555E backhoe	2,116	5.09	02/20/04
Total Capital Leases	\$ <u>784,191</u>		
<b>C. Other Loans:</b>			
City of Columbus CAP loan	\$ 357,333	4.25	08/01/13
Economic and community development incubator	30,123	3.00	04/30/12
MS Precision Casting (MBIA) loan	451,000	0.00	02/01/11
MS Precision Casting (CDBG) loan	683,946	4.50	10/01/08
Capital improvements revolving loan	20,774	4.25	10/01/05
Economic and community development infrastructure loan	87,662	3.00	11/01/04
Total Other Loans	\$ <u>1,630,838</u>		

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

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2004	\$ 504,000	290,893	267,280	47,046
2005	528,000	264,890	276,102	26,221
2006	551,000	237,673	229,755	29,192
2007	581,000	209,119	236,649	21,426
2008	607,000	179,152	244,764	13,286
2009 - 2013	<u>3,245,000</u>	<u>418,907</u>	<u>376,288</u>	<u>22,513</u>
Total	\$ <u>6,016,000</u>	<u>1,600,634</u>	<u>1,630,838</u>	<u>159,684</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 1.83% of the latest property assessments.

# LOWNDES COUNTY

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

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
Compensated absences	\$ 153,135	64,414			217,549	
General obligation bonds	6,499,000		483,000		6,016,000	504,000
Capital leases	908,202	350,492	474,503		784,191	317,190
Other loans	1,917,852		279,876	(7,138)	1,630,838	267,280
Total	\$ 9,478,189	414,906	1,237,379	(7,138)	8,648,578	1,088,470

### (11) Deficit Fund Balance of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2003:

Fund	Deficit Amount
Law Library	\$ 917
Hargrove Road Water Project	8,557

### (12) Contingencies.

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

Litigation - The county is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

### (13) Joint Ventures.

The county participates in the following joint ventures:

Lowndes County is a participant with the City of Columbus in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate Columbus/Lowndes Airport Authority. The joint venture was created to provide airport facilities. The joint venture is governed by a four-member board of commissioners appointed equally. The county made no appropriation for airport maintenance. However, the county provides financial support when needed. Complete financial statements for the Columbus/Lowndes Airport Authority can be obtained from 368 Fabritek Drive, Columbus, Mississippi 39702.

## LOWNDES COUNTY

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

Lowndes County is a participant with the City of Columbus in a joint venture, authorized by Section 55-9-27, Miss. Code Ann. (1972), to operate the Columbus/Lowndes Recreation Authority. The joint venture was created to provide recreation facilities. The joint venture is governed by five board members. Each entity appoints two of the five board members, with the fifth member being appointed by both. By contractual agreement, the county's appropriation from the General Fund this year to the joint venture amounted to \$508,476. Complete financial statements for the Columbus/Lowndes Recreation Authority can be obtained from P.O. Box 2245, Columbus, Mississippi 39704.

Lowndes County is a participant with the Counties of Choctaw, Clay, Noxubee, Oktibbeha and Webster and the Cities of Ackerman, Columbus, Eupora, Louisville, Macon, Starkville and West Point in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the Golden Triangle Regional Solid Waste Management Authority. The joint venture was created to provide a regional disposal site for solid waste. The Lowndes County Board of Supervisors appoints one of the 38 members of the board of directors. The authority is funded by user fees based on the volume of solid waste. Complete financial statements for the Golden Triangle Regional Solid Waste Management Authority can be obtained from P.O. Box DN, Mississippi State, Mississippi 39762.

Lowndes County is a participant with the City of Columbus in a joint venture, authorized by Section 39-3-8, Miss. Code Ann. (1972), to operate the Lowndes County Library System. The joint venture was created to provide library services. Each member appoints five of the ten board members. By contractual agreement, the county's appropriation to the joint venture was \$291,305 in fiscal year 2003. Complete financial statements for the Lowndes County Library System can be obtained from 314 North Seventh Street, Columbus, Mississippi 39701.

#### (14) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Community Counseling Services operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Lowndes County Board of Supervisors appoints one of the seven members of the board of commissioners. The county appropriated \$81,717 for support of the agency in fiscal year 2003.

East Mississippi Community College operates in a district composed of the Counties of Clay, Kemper, Lauderdale, Lowndes, Noxubee and Oktibbeha. The Lowndes County Board of Supervisors appoints two of the 12 members of the college board of trustees. The county appropriated \$825,432 for maintenance and support of the college in fiscal year 2003.

Golden Triangle Planning and Development District operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Lowndes County Board of Supervisors appoints four of the 28 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$72,542 in fiscal year 2003.

Golden Triangle Regional Airport Authority operates in a district composed of the Counties of Lowndes and Oktibbeha and the Cities of Columbus, Starkville and West Point. The Lowndes County Board of Supervisors appoints one of the five members of the board of commissioners. Lowndes County provided no financial support in fiscal year 2003.

Mississippi Regional Housing Authority IV operates in a district composed of the Counties of Carroll, Choctaw, Clay, Grenada, Lowndes, Montgomery, Oktibbeha, Webster and Winston. The Lowndes County Board of Supervisors appoints one of the nine board members. The counties generally provide no financial support to the organization.

## LOWNDES COUNTY

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

Prairie Opportunity, Inc., operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Lowndes County Board of Supervisors appoints one of the 21 board members. One board member from each of the counties must come from the private sector (recipient of services), and one member from each county must come from the community. These 14 board members are not appointed by the county Board of Supervisors. The county provided no financial support for fiscal year 2003.

(15) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2003, 2002 and 2001 were \$848,507, \$819,880 and \$775,415, respectively, equal to the required contributions for each year.

(16) 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 Lowndes County during the 2002-2003 fiscal year was \$37,492.

(17) Subsequent Event.

Subsequent to September 30, 2003, Lowndes County issued the following debt obligation:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
11/01/03	3.875 to 5.125	\$ 940,000	General obligation bonds	Tax levy

## LOWNDES COUNTY

### REQUIRED SUPPLEMENTARY INFORMATION

LOWNDES COUNTY

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 9,282,500	9,615,829	9,615,829	
Licenses, commissions and other revenue	723,500	969,245	969,245	
Fines and forfeitures	419,000	559,389	559,389	
Intergovernmental revenues	2,429,800	2,537,796	2,537,796	
Charges for services	267,000	470,515	470,515	
Interest income	250,500	246,575	246,575	
Miscellaneous revenues	64,000	250,798	250,798	
Total Revenues	<u>13,436,300</u>	<u>14,650,147</u>	<u>14,650,147</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	5,961,945	5,407,399	5,407,399	
Public safety	4,582,261	5,793,426	5,793,426	
Public works	399,531	74,659	74,659	
Health and welfare	456,731	455,505	455,505	
Culture and recreation	902,131	839,134	839,134	
Education	32,750	32,750	32,750	
Conservation of natural resources	149,824	152,139	152,139	
Economic development and assistance	351,880	329,111	329,111	
Debt service:				
Principal	503,390	759,413	759,413	
Interest	479,555	353,869	353,869	
Total Expenditures	<u>13,819,998</u>	<u>14,197,405</u>	<u>14,197,405</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(383,698)</u>	<u>452,742</u>	<u>452,742</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Compensation for loss of capital assets		7,178	7,178	
Transfers in	117,000			
Transfers out	(41,000)	(36,889)	(36,889)	
Total Other Financing Sources and Uses	<u>76,000</u>	<u>(29,711)</u>	<u>(29,711)</u>	<u>0</u>
Net Change in Fund Balance	(307,698)	423,031	423,031	
Fund Balances - Beginning	<u>3,260,775</u>	<u>4,907,779</u>	<u>4,907,779</u>	
Fund Balances - Ending	<u>\$ 2,953,077</u>	<u>5,330,810</u>	<u>5,330,810</u>	<u>0</u>

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

LOWNDES 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)
<b>REVENUES</b>				
Property taxes	\$ 1,838,739	1,853,775	1,853,775	
Road and bridge privilege taxes	625,000	641,271	641,271	
Intergovernmental revenues	565,500	1,710,516	1,710,516	
Miscellaneous revenues	5,000	2,755	2,755	
Total Revenues	<u>3,034,239</u>	<u>4,208,317</u>	<u>4,208,317</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Public works	2,863,539	3,752,575	3,752,575	
Debt service:				
Principal	155,000	256,934	256,934	
Interest	<u>15,700</u>	<u>15,255</u>	<u>15,255</u>	
Total Expenditures	<u>3,034,239</u>	<u>4,024,764</u>	<u>4,024,764</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>183,553</u>	<u>183,553</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets		96,925	96,925	
Total Other Financing Sources and Uses	<u>0</u>	<u>96,925</u>	<u>96,925</u>	<u>0</u>
Net Change in Fund Balance	0	280,478	280,478	
Fund Balances - Beginning	<u>350,000</u>	<u>563,103</u>	<u>563,103</u>	
Fund Balances - Ending	<u>\$ 350,000</u>	<u>843,581</u>	<u>843,581</u>	<u>0</u>

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

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$ 16,000	14,375	14,375	
Total Revenues	<u>16,000</u>	<u>14,375</u>	<u>14,375</u>	<u>0</u>
EXPENDITURES				
Current:				
Economic development and assistance	50,000	500,000	500,000	
Debt service:				
Principal		52,043	52,043	
Total Expenditures	<u>50,000</u>	<u>552,043</u>	<u>552,043</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(34,000)</u>	<u>(537,668)</u>	<u>(537,668)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(117,000)	(25,008)	(25,008)	
Total Other Financing Sources and Uses	<u>(117,000)</u>	<u>(25,008)</u>	<u>(25,008)</u>	<u>0</u>
Net Change in Fund Balance	(151,000)	(562,676)	(562,676)	
Fund Balances - Beginning	<u>1,640,000</u>	<u>1,650,886</u>	<u>1,650,886</u>	
Fund Balances - Ending	<u>\$ 1,489,000</u>	<u>1,088,210</u>	<u>1,088,210</u>	<u>0</u>

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

## LOWNDES 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).

# LOWNDES 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>		
		Countywide	
	General	Road	Economic
	<u>Fund</u>	<u>Maintenance</u>	<u>Development</u>
		<u>Fund</u>	<u>Fund</u>
Budget (Cash Basis)	\$ 423,031	280,478	(562,676)
Increase (Decrease)			
Net adjustments for revenue accruals	10,784,131	(374,486)	33,137
Net adjustments for expenditure accruals	<u>(10,781,799)</u>	<u>(518,630)</u>	<u>(66,343)</u>
GAAP Basis	\$ <u>425,363</u>	<u>(612,638)</u>	<u>(595,882)</u>

LOWNDES COUNTY

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LOWNDES COUNTY

SUPPLEMENTAL INFORMATION

LOWNDES COUNTY

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LOWNDES COUNTY

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

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARDS			
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority			
Community development block grants/state's program -	14.228	1120-03-044-ED-01	\$ 603,992
Community development block grants/state's program -	14.228	1117-00-044-PF-01	<u>162,886</u>
Total Expenditures of Major Federal Awards			<u>766,878</u>
OTHER FEDERAL AWARDS			
U.S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation			
Highway planning and construction	20.205	N/A	<u>880</u>
Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency			
Public assistance grants	97.036	N/A	<u>271,135</u>
Total Expenditures of Other Federal Awards			<u>272,015</u>
Total Expenditures of Federal Awards			<u>\$ 1,038,893</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

LOWNDES COUNTY

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## LOWNDES COUNTY

### SPECIAL REPORTS

LOWNDES COUNTY

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## State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

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

Members of the Board of Supervisors  
Lowndes County, Mississippi

We have audited the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lowndes County, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated April 6, 2004. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units. Our report includes an adverse opinion on the governmental activities because the county did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets, and because the county did not maintain records documenting Justice Court fines receivable and the allowance for uncollectible amounts as required by accounting principles generally accepted in the United States of America. The report is also qualified on the General Fund because the county did not maintain records documenting Justice Court fines receivable and the allowance for uncollectible amounts as required by accounting standards generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Lowndes 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 03-1 and 03-2. We also noted certain immaterial instances of noncompliance that we have reported to the management of Lowndes County, Mississippi, in our 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 April 6, 2004, included within this document.

### Internal Control Over Financial Reporting

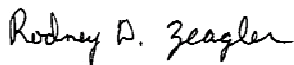
In planning and performing our audit, we considered Lowndes County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the primary government financial statements and not to provide assurance on the internal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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above to be material weaknesses.

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



PHIL BRYANT  
State Auditor



RODNEY D. ZEAGLER, CPA  
Director, Financial and Compliance Audit Division

April 6, 2004



## State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

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

Members of the Board of Supervisors  
Lowndes County, Mississippi

#### Compliance

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

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

As described in item 03-5 in the accompanying Schedule of Findings and Questioned Costs, Lowndes County, Mississippi, did not comply with the requirement regarding allowable costs/cost principles that are applicable to its community development block grant/state's program. Compliance with such requirements is necessary, in our opinion, for Lowndes County, Mississippi, to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Lowndes County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2003.

## Internal Control Over Compliance

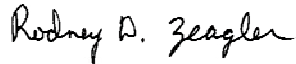
The management of Lowndes County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Lowndes County, Mississippi's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

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

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



PHIL BRYANT  
State Auditor



RODNEY D. ZEAGLER, CPA  
Director, Financial and Compliance Audit Division

April 6, 2004





## State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

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

Members of the Board of Supervisors  
Lowndes County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Lowndes 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 Lowndes 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 Lowndes County, Mississippi, has established centralized purchasing for all funds of the county, but has not 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.

The county chose not to present capital assets in the financial statements and did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets.

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 certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

## Inventory Control Clerk.

### 1. Finding

Section 7-7-211, Miss. Code Ann. (1972), gives the Office of the State Auditor the authority to prescribe accounting systems for capital assets. Control procedures were inadequate for maintaining an accurate inventory or adequate subsidiary records documenting the existence, valuation and completeness of capital assets. Records were not maintained documenting the depreciation of capital assets. The county chose not to present capital assets in the financial statements. Therefore, the Independent Auditor's Report includes an adverse opinion on the financial position of the governmental activities because capital assets were not presented in the county's financial statements.

#### Recommendation

The Inventory Control Clerk should establish adequate control procedures to document the existence, valuation and completeness of capital assets. Also, records should be maintained documenting depreciation on capital assets.

#### Inventory Control Clerk's Response

Asset software to record depreciation was not available until January 2004. For the fiscal year ending September 30, 2003, inventory control records were recorded on software which was previously suitable for governmental accounting before GASB Statement No. 34. After receiving updated software from the vendor, all records for fiscal year 2003 were converted and are now up to date for depreciation and asset control as of March 29, 2004.

## Board of Supervisors.

### 2. Finding

Section 31-7-57(2), Miss. Code Ann. (1972), states that the Board of Supervisors may not ratify any purchase or pay for the same out of county funds unless said purchase was made in the manner provided by law. During the year, the Board of Supervisors authorized the Golden Triangle Regional Airport Authority to approve payment of American Eurocopter community development block grant invoices without the appropriate purchasing documents and without prior Board of Supervisors' approval. Officials who authorize payment for purchases not made in the manner provided by law could be personally liable for up to the full amount of the expenditure.

#### Recommendation

The Board of Supervisors should establish policies and procedures to ensure that all purchases are made in accordance with the central purchasing system laws. The Board of Supervisors should not approve payment for purchases which are not made in the manner provided by law.

#### Board of Supervisors' Response

After being notified by the Office of the State Auditor of this error, Lowndes County established policies and procedures to prevent these purchasing problems from occurring in the future.

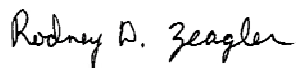
In our opinion, except for the noncompliance referred to in the preceding paragraph, Lowndes County, Mississippi, complied, in all material respects, with state laws governing inventory and bid requirements.

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 Lowndes 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



RODNEY D. ZEAGLER, CPA  
Director, Financial and Compliance Audit Division

April 6, 2004

LOWNDES 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.

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

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
11/15/02	Rental of boom loader truck	\$ 4,000	Hul-Mac Corp.	To repair damage caused by a tornado.
11/19/02	Hauling rip rap	4,713	C&N Construction	To repair damage caused by a tornado.
11/19/02	Hauling rip rap	4,225	Martin Marietta	To repair damage caused by a tornado.
11/25/02	Computer	22,215	3-Point Tech.	To repair damage caused by a tornado.
12/19/02	Rental of boom loader truck	4,000	Hul-Mac Corp.	To repair damage caused by a tornado.

## LOWNDES COUNTY

Schedule 3Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2003

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
11/21/02	Accounting software	\$ 19,950	Delta Computer System
12/09/02	Stenographer writer and software	7,340	Stenographer Corporation
01/31/03	Sirens (replacements)	19,500	Federal Signals
01/18/03	Primary election ballots	13,464	ES & S



## 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  
Lowndes County, Mississippi

We have audited the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lowndes County, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated April 6, 2004. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units. Our report includes an adverse opinion on the governmental activities because the county did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets, and because the county did not maintain records documenting Justice Court fines receivable and the allowance for uncollectible amounts as required by accounting principles generally accepted in the United States of America. The report is also qualified on the General Fund because the county did not maintain records documenting Justice Court fines receivable and the allowance for uncollectible amounts as required by accounting standards generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion.

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

Board of Supervisors.

1. Finding

The county has an outstanding interfund loan, which is over a year old. The Mississippi Code is silent regarding the authority of the county to make such loans.

Recommendation

Failure of the Board of Supervisors to ensure repayment of this loan is an illegal diversion of legally restricted funds. For any interfund loan made, the Board of Supervisors should approve and record in the board minutes the reason for the loan, when the loan will be repaid and the source of funds for repayment. The Board of Supervisors should ensure that this old loan is repaid by approving and recording in the board minutes a repayment schedule and complying with the repayment schedule.

#### Board of Supervisors' Response

The Board of Supervisors will spread upon the minutes interfund loan details and will ensure that all existing interfund loans are repaid as quickly as possible. All future interfund loans will be only for the fiscal year in which they are made and repaid per details spread upon the minutes.

#### 2. Finding

There is no authority for the county to pay the payroll of another agency. The county processes the payroll of the District Attorney's worthless check division and is reimbursed for the total amount of the payroll. On some occasions, the District Attorney's worthless check division was late in reimbursing the county for their share of payroll expense.

#### Recommendation

The Board of Supervisors should ensure reimbursement for other agencies' payroll is prior to the processing of the agencies' payroll.

#### Board of Supervisors' Response

Lowndes County will not issue checks for another agency until reimbursement is received.

#### 3. Finding

Section 23-41-13(1), Miss. Code Ann. (1972), requires the Board of Supervisors, as a public body, to post a notice of any recessed meeting, adjourned meeting, interim meeting or any called special meeting within one hour after such meeting is called in a prominent place available for examination and inspection by the general public in the building in which the public body normally meets. A copy of the notice is to be made a part of the minutes of the public body. Audit observations indicate that notices of recessed meetings, adjourned meetings, interim meetings or any called special meetings are not posted nor are they included as a part of the minutes.

#### Recommendation

The Board of Supervisors should post a notice of all recessed meetings, adjourned meetings, interim meetings or any called special meetings in a prominent place in the building and these notices should be a part of the minutes.

#### Board of Supervisors' Response

Lowndes County Board of Supervisors will follow all the suggested recommendations on posting for public meetings.

Board of Supervisors and Sheriff.

#### 4. Finding

Section 19-3-81, Miss. Code Ann. (1972), allows the Board of Supervisors, in its discretion, to authorize the Sheriff to provide commissary services to inmates of the county jail. Funds derived from the operation of the inmate canteen should be spent solely to purchase equipment and supplies for the benefit and welfare of the inmates. A jail camera recording and monitoring equipment system costing \$49,975 was purchased from the proceeds of the inmate canteen. Since this purchase was not for the benefit or welfare of the inmates, the purchase is considered a diversion of inmate canteen funds.



#### Recommendation

The Board of Supervisors should approve only purchases for the benefit or welfare of the inmates to be made from the inmate canteen fund. Purchases of items for the Sheriff's Office and operations should be made from the Sheriff's budget. The \$49,975 expenditure should be reimbursed from the Sheriff's budget within the General Fund to the inmate canteen fund.

#### Board of Supervisors' Response

Lowndes County will monitor expenditures of the Sheriff's canteen fund to prevent the paying of expenditures that are not allowable.

#### Sheriff's Response

The Sheriff was given the chance to respond, but failed to do so.

County Administrator.

#### 5. Finding

The county has adopted a policy of compensated absences for its employees. The County Administrator should maintain records documenting the number of leave hours for each employee. The County Administrator did not maintain the necessary records to calculate the compensated absences liability for employees of the Sheriff Office.

#### Recommendation

The County Administrator should maintain records to document leave hours for all employees.

#### County Administrator's Response

The County Administrator will centralize the leave records of employees that are paid by Lowndes County.

Chancery Clerk.

#### 6. Finding

Section 19-3-27, Miss. Code Ann. (1972), requires the Clerk of the Board of Supervisors to keep and preserve a complete and correct record of all the proceedings and orders of the board. The minutes of each day's proceedings shall either be read and signed by the president or the vice president on or before the first Monday on the month following the day of adjournment of any term of the board; or be adopted and approved as the first order of business on the first day of the next monthly meeting of the board. The minutes were not prepared in a timely manner. As of February 6, 2004, the last recorded minutes were for the September 30, 2003, meeting of the Board of Supervisors.

#### Recommendation

The Chancery Clerk should prepare and present the board minutes to the Board of Supervisors for adoption and approval on or before the first Monday of the month following the day of adjournment of any term or as the first order of business on the first day of the next monthly meeting of the Board of Supervisors.

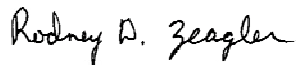
#### Chancery Clerk's Response

I have reviewed this finding and I will comply to the best of my ability.

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



PHIL BRYANT  
State Auditor



RODNEY D. ZEAGLER, CPA  
Director, Financial and Compliance Audit Division

April 6, 2004

LOWNDES COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LOWNDES COUNTY

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LOWNDES COUNTY

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

Section 1: Summary of Auditor's Results

***Financial Statements:***

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

***Federal Awards:***

- |     |  |           |
|-----|--|-----------|
| 4.  | Type of auditor's report issued on compliance for major federal programs:  | Qualified |
| 5.  | Internal control over major programs:  |           |
| a.  | Material weakness identified?  | No        |
| b.  | Reportable condition identified that is not considered to be a material weakness?  | No        |
| 6.  | Any audit finding reported as required by Section ____510(a) of Circular A-133?  | Yes       |
| 7.  | Federal program identified as a major program:   |           |
|     | Community development block grants/state's program, CFDA # 14.228  |           |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:   | \$300,000 |
| 9.  | Auditee qualified as a low-risk auditee?   | No        |
| 10. | Prior fiscal year audit finding and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____315(b) of OMB Circular A-133? | No        |

## LOWNDES COUNTY

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

#### Section 2: Financial Statement Findings

Inventory Control Clerk.

03-1. Finding

Control procedures were inadequate for maintaining an accurate inventory or adequate subsidiary records documenting the existence, valuation and completeness of capital assets. Records were not maintained documenting the depreciation of capital assets. The county chose not to present capital assets in the financial statements. Therefore, the Independent Auditor's Report includes an adverse opinion on the financial position of the governmental activities because capital assets were not presented in the county's financial statements.

Recommendation

The Inventory Control Clerk should establish adequate control procedures to document the existence, valuation and completeness of capital assets. Also, records should be maintained documenting depreciation on capital assets.

Board of Supervisors.

03-2. Finding

Road department vehicle maintenance expenses were paid from the General County Fund. Improper use of General County Fund revenues for countywide road equipment maintenance expense is a diversion of public funds.

Recommendation

The Board of Supervisors should not pay countywide road expenses from the General County Fund. The Countywide Road Maintenance Fund should reimburse \$573,161 to the General County Fund for the vehicle maintenance expenses.

Board of Supervisors and Justice Court Clerk.

03-3. Finding

Weak controls existed over the collecting, recording and settlement of cash. Numerous deviations noted in the system caused difficulty in performing our audit. Account receivable records were not maintained on fines. The Independent Auditor's Report is qualified on the General Fund because neither an accounts receivable amount or an allowance for uncollectible accounts amount is presented in the financial statements.

Recommendation

The Justice Court Clerk should implement control procedures to handle the collection, recording and the settlement of cash in accordance with the *Mississippi County Financial Accounting Manual*.

## LOWNDES COUNTY

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

County Administrator.

03-4. Finding

Weak controls exist over the recording of activity within the financial statements. Some funds were improperly classified based on requirements of the *Mississippi County Financial Accounting Manual*. Loans receivable were not recorded properly. Payments received for pass-through loans receivable were incorrectly netted against the county's debt payments.

Recommendation

The County Administrator should maintain adequate classification of funds. Loans receivable collection and county payments for debt owed should be accounted for separately.

### Section 3: Federal Award Finding and Questioned Cost

03-5. Finding

Program: Community development block grants/state's program-CFDA No. 14.228;  
Grant No. 1120-0044-ED-01; U.S. Department of Housing and Urban  
Development/passed-through the Mississippi Development Authority

Compliance Requirement: Allowable costs/cost principles

Section 31-7-57(2), Miss. Code Ann. (1972), states that the Board of Supervisors may not ratify any purchase or pay for the same out of county funds unless said purchase was made in the manner provided by law. During the year, the Board of Supervisors authorized the Golden Triangle Regional Airport Authority to approve payment of American Eurocopter community development block grant invoices without the appropriate purchasing documents and without claims being submitted for Board of Supervisors' approval. Officials who authorize payment for purchases not made in the manner provided by law could be personally liable for up to the full amount of the expenditure.

Questioned Costs: This finding did not result in any questioned costs.

Recommendation

The Board of Supervisors should establish policies and procedures to ensure that all purchases are made in accordance with the central purchasing system laws. All claims should be presented to the Board of Supervisors for approval. The Board of Supervisors should not approve payment for purchases which are not made in the manner provided by law.

LOWNDES COUNTY

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LOWNDES COUNTY

AUDITEE'S CORRECTIVE ACTION PLAN

LOWNDES COUNTY

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BOARD OF  
SUPERVISORS

DISTRICT 1

Harry Sanders  
President

DISTRICT 2

Tommy Southerland

DISTRICT 3

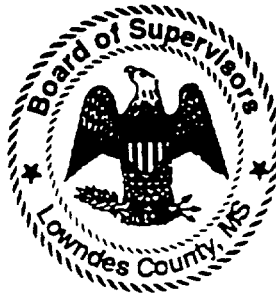
Mike Smith  
Vice - President

DISTRICT 4

Jim Terry

DISTRICT 5

Leroy Brooks



BOARD ATTORNEY

Tim Hudson

COUNTY ENGINEER

Robert L. Calvert P.E.

CHANCERY CLERK

Lisa Neese

ADMINISTRATOR

Nick Hairston

ROAD MANAGER

Rockey Allen

CHIEF FINANCIAL OFFICER

Davis W. Bassinger

# LOWNDES COUNTY

## CORRECTIVE ACTION PLAN

April 6, 2004

Office of the State Auditor  
P.O. Box 956  
Jackson, Mississippi 39205

Gentlemen:

Lowndes County respectfully submits the following corrective action plan for the year ended September 30, 2003.

The findings from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section 1: Summary of Auditor's Results, does not include findings and is not addressed.

### SECTION 2: FINANCIAL STATEMENT FINDINGS

#### 03-1 Corrective Action Planned:

We have received the updated software that will properly depreciate capital assets. The capital asset records are now up to date.

Anticipated Completion Date:

March 29, 2004

Name of Contact Person Responsible for Corrective Action:

Billy Humphries, Inventory Control Clerk

#### 03-2 Corrective Action Planned:

In the future, we will allocate road equipment maintenance costs to the countywide road fund. The \$573,161 will be refunded to the general fund.

Anticipated Completion Date:

September 30, 2006

Name of Contact Person Responsible for Corrective Action:

Dave Bassinger, County Financial Administrator

**03-3 Corrective Action Planned:**

We will implement the recommended accounting controls suggested by the auditors and will work with the software vendors to correct the software problems.

**Anticipated Completion Date:**

September 30, 2004

**Name of Contact Person Responsible for Corrective Action:**

Dave Bassinger, County Financial Administrator

**03-4 Corrective Action Planned:**

We will classify funds as shown in the *Mississippi County Financial Accounting Manual* and set up loans receivable and bad debt's associated liability.

**Anticipated Completion Date:**

June 30, 2004

**Name of Contact Person Responsible for Corrective Action:**

Dave Bassinger, County Financial Administrator

**SECTION 3: FEDERAL AWARD FINDINGS**

**03-5 Corrective Action Planned:**

We have established policies and procedures to prevent these purchasing problems from occurring in the future.

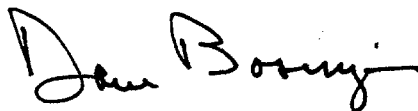
**Anticipated Completion Date:**

June 30, 2004

**Name of Contact Person Responsible for Corrective Action:**

Nick Hairston, County Administrator

Sincerely yours,

A handwritten signature in black ink, appearing to read "Dave Bassinger".

Dave Bassinger  
County Financial Administrator  
(662) 329 -5896