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MARION COUNTY, MISSISSIPPI

Primary Government Financial Statements
and Special Reports

For the Year Ended September 30, 2004

MARION COUNTY

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McDaniel CPA Firm
Certified Public Accountant / Financial Consultant

Scotty McDaniel, CPA

MEMBER

Mississippi Society
of Certified Public
Accountants

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

January 18, 2006

Members of the Board of Supervisors
Marion County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Marion County, Mississippi, as of and for the year ended September 30, 2004, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements referred to above include only the primary government of Marion County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Marion County, Mississippi, as of September 30, 2004, and the respective changes in its financial position and the cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information for the primary government of Marion County, Mississippi, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2006, on our consideration of Marion County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provision 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.

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

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

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise Marion 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.

McDaniel CPA Firm

MARION COUNTY
Statement of Net Assets
September 30, 2004

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 4,409,526	558,943	\$ 4,968,469
Property tax receivable	6,213,426	-	6,213,426
Fines receivable (net of allowance for uncollectibles of \$185,946)	224,168	-	224,168
Intergovernmental receivables	139,632	-	139,632
Other receivables	6,519	87,156	93,675
Non-depreciable capital assets	377,671	-	377,671
Depreciable capital assets (net of accumulated depreciation)	17,800,736	5,739,478	23,540,214
Total Assets	29,171,678	6,385,577	35,557,255
LIABILITIES:			
Claims payable	592,154	12,842	604,996
Intergovernmental payables	245,753	-	245,753
Deferred revenue	6,213,426	31,182	6,244,608
Other payables	-	-	-
Long-term liabilities:			
Due within one year:			
Capital related debt	632,971	245,000	877,971
Non-capital debt	600,000	-	600,000
Due in more than one year:			
Capital related debt	4,784,345	6,715,000	11,499,345
Non-capital debt	-	-	-
Total Liabilities	13,068,649	7,004,024	20,072,673
NET ASSETS			
Investments in capital assets (net of related debt)	12,761,091	(1,220,522)	11,540,569
Restricted:			
Expendable:			
General Government	45,689	-	45,689
Debt service	78,546	-	78,546
Public Safety	264,587	-	264,587
Public Works	147,856	-	147,856
Health & welfare	3,256	-	3,256
Economic Development	94,785	-	94,785
Unemployment compensation	41,526	-	41,526
Other purposes	78,900	-	78,900
Unrestricted	2,586,793	602,075	3,188,868
Total Net Assets	\$ 16,103,029	(618,447)	\$ 15,484,582

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

MARION COUNTY
Statement of Activities
For the Year Ended September 30, 2004

Exhibit 2

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
Primary Government:						
Governmental Activities:						
General government	\$ 5,126,887	291,526	110,256	-	(4,725,105)	\$ -
Public safety	2,832,504	-	113,525	49,587	(2,669,392)	-
Public works	3,359,071	-	512,256	102,564	(2,744,251)	-
Health and welfare	543,724	-	-	-	(543,724)	-
Education	86,996	-	-	-	(86,996)	-
Culture and recreation	216,678	-	-	-	(216,678)	-
Conservation of natural resources	73,553	-	-	-	(73,553)	-
Economic development and assistance	2,359,986	-	254,786	42,568	(2,062,632)	-
Interest on long-term debt	160,358	-	-	-	(160,358)	-
Transfers out	206,614	-	-	-	(206,614)	-
Total governmental activities	14,966,371	291,526	990,823	194,719	(13,489,303)	(13,489,303)
Business-type activities:						
Regional jail	2,839,713	2,609,506	-	-	(230,207)	(230,207)
Solid waste	805,380	606,168	-	-	(199,212)	(199,212)
Total Business-type Activities	3,645,093	3,215,674	-	-	(429,419)	(429,419)
Total Primary Government	\$ 18,611,464	3,507,200	990,823	194,719	(13,489,303)	(13,918,722)
General Revenues:						
Property taxes					5,751,393	5,751,393
Road & bridge privilege taxes					159,817	159,817
License, commissions and other revenues					469,041	469,041
Fines and forfeitures					210,671	210,671
Grants and contributions not restricted to specific programs					2,014,646	2,014,646
Unrestricted investment income					118,371	127,377
Miscellaneous					310,501	399,904
Transfers in					-	206,614
Total General Revenues					9,034,440	9,354,849
Changes in Net Assets					(4,454,863)	(4,563,873)
Net Assets - Beginning					(1,790,120)	(6,383,313)
Prior period adjustment					22,348,012	4,083,756
Net Assets - Beginning, restated					20,557,892	(509,437)
Net Assets - Ending					\$ 16,103,029	\$ 15,484,582

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

Marion County
Balance Sheet - Governmental Funds
For the Year Ended September 30, 2004

Exhibit 3

	Major Funds	Other Governmental Funds	Total Governmental Funds
	General Fund		
ASSETS			
Cash and investments	\$ 576,091	3,833,435	4,409,526
Property tax receivable	4,758,326	1,455,100	6,213,426
Fines receivable, (net of allowance for uncollectibles \$ 410,054)	224,168	-	224,168
Intergovernmental receivables	120,825	18,807	139,632
Other receivables	6,519	-	6,519
Due from other funds	-	89,491	89,491
Total Assets	<u>5,685,929</u>	<u>5,396,833</u>	<u>11,082,762</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Claims payable	180,304	411,850	592,154
Intergovernmental Payable	223,775	-	223,775
Due to other funds	111,469	-	111,469
Deferred revenue	4,982,494	1,455,100	6,437,594
Other payables	-	-	-
Total Liabilities	<u>5,498,042</u>	<u>1,866,950</u>	<u>7,364,992</u>
Fund balances:			
Reserved for:			
Debt service		106,274	106,274
Unemployment compensation		41,256	41,256
Unreserved, reported in:			
General Fund	187,887		187,887
Special Revenue Funds		3,382,353	3,382,353
Total Fund Balances	<u>187,887</u>	<u>3,529,883</u>	<u>3,717,770</u>
Total Liabilities and Fund Balances	<u>\$ 5,685,929</u>	<u>5,396,833</u>	<u>11,082,762</u>

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

Marion County

**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
For the Year Ended September 30, 2004**

Exhibit 3-1

	<u>Amount</u>
Total fund balance - Governmental Funds	<u>3,717,770</u>
Amounts reported for governmental services in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$ 53,143,244.	18,178,407
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	224,168
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	
long-term debt	(5,417,316)
short-term debt	<u>(600,000)</u>
Total Net Assets - Governmental Activities	<u><u>16,103,029</u></u>

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

Marion County

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2004

	Major Funds		
	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	\$ 4,255,859	1,495,534	5,751,393
Road and bridge privilege taxes	6,827	152,990	159,817
Licenses, commissions and other revenue	257,187	211,854	469,041
Fines and forfeitures	210,671	-	210,671
Intergovernmental revenues	747,164	2,516,157	3,263,321
Charges for services	152,909	282,098	435,007
Interest income	82,363	36,008	118,371
Miscellaneous Revenues	217,624	92,877	310,501
Total Revenues	5,930,604	4,787,518	10,718,122
EXPENDITURES			
Current:			
General government	3,739,807	808,495	4,548,302
Public safety	1,865,940	468,349	2,334,289
Public works	20,000	2,430,138	2,450,138
Health and welfare	417,101	126,623	543,724
Culture and recreation	88,701	127,977	216,678
Education	502	86,494	86,996
Conservation of natural resources	65,287	8,266	73,553
Economic development and assistance	246,629	2,319,971	2,566,600
Debt service:			
Principal	171,246	518,454	689,700
Interest	13,493	146,865	160,358
Total Expenditures	6,628,706	7,041,632	13,670,338
Excess of Revenues over (under) Expenditures	(698,102)	(2,254,114)	(2,952,216)
OTHER FINANCING SOURCES (USES)			
Long-term capital debt issued	600,000	2,446,571	3,046,571
Transfers In	500,000	110,956	610,956
Transfers Out	(536,000)	(281,570)	(817,570)
Total Other Financing Sources and Uses	564,000	2,275,957	2,839,957
Net Changes in Fund Balances	(134,102)	21,843	(112,259)
Fund Balances - Beginning, as restated	321,989	3,508,040	3,830,029
Fund Balances - Ending	\$ 187,887	3,529,883	3,717,770

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

Marion County

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
September 30, 2004

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	(112,259)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that depreciation of \$ 2,370,518 exceeded capital outlays of \$ 384,786 in the current period.	(1,985,732)
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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 \$ 689,700 were less than debt proceeds of \$ 3,046,572.	<u>(2,356,872)</u>
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Change in Net Assets of Governmental Activities	<u><u>(4,454,863)</u></u>
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The notes to the financial statements are an integral part of this statement.

MARION COUNTY
Statement of Net Assets - Proprietary Funds
For the Year Ended September 30, 2004

Exhibit 5

	Business-type Activities Enterprise Funds
<u>ASSETS</u>	
Current assets:	
Cash and investments	\$ 558,943
Accounts receivable, net (net of allowance for uncollectibles of \$ 86,767)	87,156
Due from other funds	-
Total Current Assets	<u>646,099</u>
Noncurrent assets:	
Capital assets, net	5,739,478
Total Noncurrent Assets	<u>5,739,478</u>
Total Assets	<u>6,385,577</u>
<u>LIABILITIES</u>	
Current liabilities:	
Claims payable	12,842
Due to other funds	-
Deferred revenue	31,182
Other payables	-
Current portions of long-term capital-related debt:	
Other long term liabilities	245,000
Total Current Liabilities	<u>289,024</u>
Noncurrent liabilities:	
Capital-related debt:	
Other long-term liabilities	6,715,000
Total Noncurrent Liabilities	<u>6,715,000</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	(1,220,522)
Unrestricted	<u>602,075</u>
Total Net Assets	<u>\$ (618,447)</u>

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

MARION COUNTY**Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds**

September 30, 2004

Exhibit 6

	Business - Type Activities <u>Enterprise Funds</u>
<u>Operating Revenues</u>	
Charges for services	\$ 3,209,629
Miscellaneous	89,403
Total Operating Revenues	<u>3,299,032</u>
<u>Operating Expenses</u>	
Personal services	1,688,891
Contractual services	610,327
Materials and supplies	715,773
Depreciation expense	216,464
Miscellaneous	5,471
Total Operating Expenses	<u>3,236,926</u>
Operating Income (Loss)	<u>62,106</u>
<u>Nonoperating Revenues (Expenses)</u>	
Property tax	15,386
Interest income	9,006
Interest expense	(402,122)
Net Nonoperating Revenue (Expenses)	<u>(377,730)</u>
Net Income (Loss) Before Transfers	(315,624)
Transfers In	608,570
Transfers Out	(401,956)
Changes in Net Assets	<u>(109,010)</u>
Net Assets - Beginning	(4,593,193)
Prior period adjustment	<u>4,083,756</u>
Net Assets - Beginning, as restated	<u>(509,437)</u>
Net Assets - Ending	<u>\$ (618,447)</u>

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

Marion County
Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2004

Exhibit 7

	Business-type Activities Enterprise Funds
<i>Cash flows from operating activities:</i>	
Receipts from customers	3,212,207
Payments to suppliers and employees	(2,410,135)
Payments to others	(610,327)
Other operating cash receipts	85,975
Net cash provided (used) by operating activities	277,720
<i>Cash flows from noncapital financing activities:</i>	
Cash received from property taxes	15,386
Operating transfers out	(401,956)
Operating transfers in	608,570
Net cash provided (used) by noncapital financing activities	222,000
<i>Cash flows from capital and related financing activities:</i>	
Principal paid on long-term debt	(230,000)
Interest paid on debt	(402,122)
Other financing sources	131,707
Net cash provided (used) by capital and related financing activities	(500,415)
<i>Cash flows from investing activities:</i>	
Interest on investments	9,006
Net cash provided (used) by investing activities	9,006
Net increase (decrease) in cash and cash equivalents	8,311
Cash and cash equivalents - beginning of year	550,632
Cash and cash equivalents - end of year	558,943
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	62,106
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	216,464
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	2,578
Increase (decrease) in claims payable	(3,428)
Total adjustments	215,614
Net cash provided by (used) by operating activities	277,720

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

MARION COUNTY

Statement of Fiduciary Assets and Liabilities

For the Year Ended September 30, 2004

Exhibit 8

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and Investments	\$ 639,526
Due from other funds	21,978
Total Assets	<u>661,504</u>
<u>LIABILITIES</u>	
Intergovernmental Payable	661,504
Total Liabilities	<u>\$ 661,504</u>

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

MARION COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2004

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

- Marion General Hospital
- Tri-Community Fire District
- Southwest Marion Fire District
- South Marion Fire District
- Pineburr Fire District
- Foxworth Fire District
- Morgantown Fire District
- Marion County Economic Development District

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

MARION COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2004

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

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

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

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 day 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

MARION COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2004

the accounting period when the related fund liabilities is 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.

The county reports the following major Proprietary Fund:

Regional Jail Fund – Accounts for the county's activities of housing local and state inmates within the county's regional jail.

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.

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

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

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.

MARION COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2004

E. Deposits and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposits 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.

F. Receivables.

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

G. Interfund Transactions and Balances.

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

H. Capital Assets.

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

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

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

MARION COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2004

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and business-type activities. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds.

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

* Leased property capitalization policy corresponds with the amounts for the assets classification, as listed above.

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

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, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, constructions or improvements of those assets.

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

Unrestricted net assets – All other net assets not meeting the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

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

MARION COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2004

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriate 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.

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 does not allow for the accumulation of unpaid employee benefits. Therefore, no liability is recorded in the accompanying financial statements as required by accounting principles generally accepted in the United States of America.

(2) Prior Period Adjustment.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
Fixed assets, depreciation and infrastructure were adjusted for governmental activities	22,348,012
Fixed assets and depreciation were recorded for business type activities	4,083,756
	<u>26,431,768</u>

Exhibit 6 - Statement of Revenues, Expenses, and Changes in Fund Balance - Proprietary Funds

<u>Explanation</u>	<u>Amount</u>
Fixed assets and depreciation were recorded for business type activities	4,083,756

MARION COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2004

(3) Deposits and Investments.

Deposits

The carrying amount of the county's total deposits with financial institutions at September 30, 2004, was \$ 4,532,110, and the bank balance was \$ 4,900,652. The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-10-5, Miss. Code Ann. (1972). Under this program, collateralization of the entity's funds is monitored 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.

Investments:

At year end, the carrying amount of the county's investments was \$ 1,075,884, and the cost was \$ 1,075,884. The county's investments at year end consisted entirely of U.S. Government Securities. The investments are either insured or registered or are held by the county or its agent in the county's name.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2004:

A. Due From / To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other governmental funds	General fund	89,491
Agency fund	General fund	21,978
Total		<u>111,469</u>

The receivables represent the tax revenue collected but not settled until October 2004. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In / Out:

MARION COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2004

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General fund	Other governmental funds	281,570
General fund	Enterprise fund	218,430
Other governmental funds	Enterprise fund	110,956
Enterprise fund	General fund	536,000
Enterprise fund	Enterprise fund	72,570
Total		<u>1,219,526</u>

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

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2004, consisted of the following:

<u>Description</u>	<u>Amount</u>
Legislative tag credit	\$ 120,815
Total Governmental Activities	<u>\$ 120,815</u>

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2004:

MARION COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2004

Governmental activities:

	Balance 10/1/2003	Additions	Deletions	Completed Construction	Adjustments	Balance 9/30/2004
<u>Non-depreciable capital</u>						
Land	\$ -				377,671	377,671
Total non-depreciable	-	-	-	-	377,671	377,671
<u>Depreciable capital assets</u>						
Infrastructure	-				62,296,185	62,296,185
Buildings	-				3,351,255	3,351,255
Improvements other than buildings	-				88,395	88,395
Mobile equipment	-	161,010			3,285,384	3,446,394
Furniture and equipment	-	77,204			363,279	440,483
Leased property under capital leases	-	146,571			1,174,697	1,321,268
Total depreciable capital assets	-	384,785	-	-	70,559,195	70,943,980
<u>Less accumulated depreciation:</u>						
Infrastructure	-	1,886,371			46,155,358	48,041,729
Buildings	-	67,066			1,728,477	1,795,543
Improvements other than buildings	-	2,210			3,131	5,341
Mobile equipment	-	221,053			2,480,337	2,701,390
Furniture and equipment	-	58,834			177,140	235,974
Leased property under capital leases	-	134,984			228,283	363,267
Total accumulated depreciation	-	2,370,518	-	-	50,772,726	53,143,244
Total depreciable capital assets, net	-	(1,985,733)	-	-	19,786,469	17,800,736
Governmental activities capital assets, net	\$ -	(1,985,733)	-	-	20,164,140	18,178,407

MARION COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2004

Business-type activities:

	Balance 10/1/2003	Additions	Deletions	Completed Construction	Adjustments	Balance 9/30/2004
<u>Non-depreciable capital</u>						
Total non-depreciable	-	-	-	-	-	-
<u>Depreciable capital assets</u>						
Buildings	-	1,674,648			4,589,862	6,264,510
Mobile equipment	-				525,243	525,243
Furniture and equipment	-				53,285	53,285
Total depreciable capital assets	-	1,674,648	-	-	5,168,390	6,843,038
<u>Less accumulated depreciation:</u>						
Buildings	-	128,702			535,484	664,186
Mobile equipment	-	72,071			330,161	402,232
Furniture and equipment	-	15,691			21,450	37,141
Total accumulated depreciation	-	216,464	-	-	887,095	1,103,559
Business-type activities assets, net	-	1,458,184	-	-	4,281,295	5,739,479

Depreciation expense was charged to the following functions:

	Amount
<u>Governmental Activities:</u>	
General government	\$ 963,370
Public safety	498,215
Public works	908,933
Total governmental activities depreciation expense	<u>\$ 2,370,518</u>
<u>Business-type Activities</u>	
Solid Waste	\$ 73,449
Correctional facility	143,015
Total business-type activities depreciation expense	<u>\$ 216,464</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 \$ 350,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk for loss is remote for

MARION COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2004

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, 2004 to January 1, 2005. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(8) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2004:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 1,231,270
Other furniture and equipment	89,998
Total	<u>1,321,268</u>
Less: Accumulated depreciation	<u>363,267</u>
Leased Property under Capital Leases	<u>\$ 958,001</u>

The following is a schedule by years of the total payments due as of September 30, 2004:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	794,110	18,017
2006	110,721	3,907
2007	50,802	919
2008	3,625	18
Total	<u>\$ 959,258</u>	<u>22,861</u>

(9) Short-term Debt and Liquidity.

The following is a summary of short-term debt activity for the year ended September 30, 2004:

<u>Description of Debt</u>	<u>Balance Oct. 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance Sept. 30, 2004</u>
Governmental Activities:					
Tax anticipation note	-	600,000	-	-	600,000
Total	<u>-</u>	<u>600,000</u>	<u>-</u>	<u>-</u>	<u>600,000</u>

MARION COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2004

During the month of August, 2004, the county issued \$ 600,000 of tax anticipation notes in order to alleviate a temporary operating cash flow deficiency.

(10) Long-term Debt.

Debt outstanding as of September 30, 2004, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities			
A. General Obligation Bonds:			
General obligation bonds, series 2004	<u>2,300,000</u>	4.75-5.40	04-24
B. Limited Obligation Bonds:			
Hospital revenue bonds	<u>1,796,804</u>	5.00	06-12
C. Capital Leases:			
Computer system	35,813	5.34	07-06
District 1 chev dump truck	42,330	2.99	04-07
District 4 chev dump truck	42,330	2.99	04-07
District 5 chev dump truck	42,330	2.99	04-07
District 2 road equipment	117,428	3.99	12-05
District 3 road equipment	117,428	3.99	12-05
District 4 road equipment	117,428	3.99	12-05
District 5 road equipment	117,429	3.99	12-05
District 1 road equipment	118,524	3.99	01-06
District 4 road equipment	49,599	3.99	01-06
District 5 road equipment	49,599	3.99	01-06
District 2 case wheel loader	39,894	3.20	03-06
District 3 tractor and bush hog	4,224	3.82	11-04
Radio equipment	<u>64,902</u>	4.09	11-07
Total Capital Leases	<u>959,258</u>		
D. Other Loans:			
Trustmark Bank	335,317	2.75	07-06
GMAC	<u>25,937</u>	6.00	11-05
	<u>361,254</u>		
Business-Type Activities			
A. Limited Obligation Bonds:			
Urban renewal bonds - correctional facility project	4,960,000	4.9 - 6.25	02-18
Women's correctional facility	<u>2,000,000</u>	3.62-4.50	03-23
	<u>\$ 6,960,000</u>		

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

MARION COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2004

Governmental Activities:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>		<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	60,000	117,668	187,169	10,299
2006	65,000	114,668	174,085	4,763
2007	70,000	111,418	-	-
2008	75,000	107,918	-	-
2009	80,000	104,168	-	-
2010-2014	490,000	455,475	-	-
2015-2019	625,000	324,310	-	-
2020-2024	835,000	140,530	-	-
Total	2,300,000	1,476,155	361,254	15,062

<u>Year Ending September 30</u>	<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2005	250,903	102,112
2006	263,448	89,567
2007	276,620	76,395
2008	290,451	62,563
2009	304,973	48,040
2010-2014	410,409	50,183
Total	1,796,804	428,860

Business-Type Activities

<u>Year Ending September 30</u>	<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2005	245,000	344,892
2006	310,000	327,985
2007	335,000	308,792
2008	355,000	289,700
2009	380,000	271,392
2010-2014	2,250,000	1,009,766
2015-2019	2,450,000	408,055
2020-2024	635,000	58,591
Total	6,960,000	3,019,173

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, 2004, the amount of outstanding debt was equal to 4.0 % of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2004:

MARION COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2004

	Balance Oct. 1, 2003	Additions	Reductions	Adjustments	Balance Sept. 30, 2004	Amount due within one year
Governmental Activities:						
General obligation bonds	\$ 2,071,182	2,300,000	71,182	(2,000,000)	2,300,000	60,000
Limited obligation bonds	2,082,499		246,910	(38,785)	1,796,804	238,955
Capital leases	999,025	146,571	186,338		959,258	146,847
Other loans	546,524		185,270		361,254	187,169
Total	5,699,230	2,446,571	689,700	(2,038,785)	5,417,316	632,971
Business-Type Activities:						
Limited obligation bonds	5,190,000		230,000	2,000,000	6,960,000	245,000
Total	\$ 5,190,000	-	230,000	2,000,000	6,960,000	245,000

(11) **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.

(12) **Related Organization.**

The Marion County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Columbia-Marion County Airport Authority, but the county's accountability for this organization does not extend beyond making the appointments. During the year, the county appropriated \$ 21,000 to this organization.

(13) **Joint Venture.**

The county participates in the following joint venture:

Marion county is participate with Jefferson Davis County in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the South Mississippi Regional Library. The joint venture was created to provide library service for the Counties of Jefferson Davis and Marion and is governed by a five-member board. The two counties rotate board appointments so that each county has a majority of board members in alternate years. Complete financial statements for the South Mississippi Regional Library can be obtained from the Marion County branch located at 900 Broad Street, Columbia, Mississippi.

(14) **Jointly Governed Organizations.**

The county participates in the following jointly governed organizations:

MARION COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2004

Pearl River Valley Opportunity, Inc., operates in a district composed of the Counties of Covington, Forrest, Jefferson Davis, Jones, Lamar, Marion, Pearl River and Perry. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Marion County Board of Supervisors appoints one of the 24 members of the board of directors. The primary source of funding for the entity is derived from federal funds. Each county provides a modest amount of financial support when matching funds are required for federal grants.

Southeast Mississippi Air Ambulance District provides air ambulance service to the Counties of Covington, Forrest, Greene, Jefferson Davis, Lamar, Marion, Pearl River, Perry and Walthall. The Marion County Board of Supervisors appoints one of the nine members of the board of directors. There is no ongoing financial interest or responsibility for the appointing authorities. The county appropriated \$39,000 in fiscal year 2004.

Pearl River Community College operates in a district composed of the Counties of Forrest, Hancock, Jefferson Davis, Lamar, Marion and Pearl River. The Marion County Board of Supervisors appoints two of the 16 members of the college board of trustees. The county appropriated \$395,000 for maintenance and support of the college in fiscal year 2004.

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Scott, and Wayne. The Marion County Board of Supervisors appoints one of the 27 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$48,000 for support of the district in fiscal year 2004.

Pine Belt Mental Health Care Resources operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry, and Wayne. The Marion County Board Of Supervisors appoints one of the nine members of the board of commissioners. The county appropriated \$72,000 for its support in fiscal year 2004.

Mississippi Regional Housing Authority VIII operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The governing body is a 15-member board of commissioners, one appointed by the Board Of Supervisors of each of the member counties and one appointed at large. The counties generally provide no financial support to the organization.

(15) Defined Benefit Pension Plan.

Plan Description. Marion County, Mississippi, contributes to the Public Employees' Retirement Systems 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. Benefits 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 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, 2004, 2003 and 2002 were \$ 387,471, 375,812 and 342,657, respectively, equal to the required contributions for each year.

MARION COUNTY

Required Supplementary Information

Marion County
 Budgetary Comparison Schedule
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2004

	Original Budget	Final Budget	Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 4,270,091	\$ 4,270,360	\$ 4,270,360	\$ -
Road and bridge privilege taxes	-	6,827	6,827	-
Licenses, commissions and other revenue	226,000	237,882	237,882	-
Fines and forfeitures	206,000	210,670	210,670	-
Intergovernmental revenues	429,800	765,738	765,738	-
Charges for services	-	152,909	152,909	-
Interest income	36,400	82,362	82,362	-
Miscellaneous revenues	155,500	569,199	569,199	-
Total revenues	5,323,791	6,295,947	6,295,947	-
EXPENDITURES				
General government	2,805,807	3,955,756	3,955,756	-
Public safety	1,508,281	1,888,146	1,888,146	-
Public works	20,000	20,000	20,000	-
Health and welfare	388,324	424,074	424,074	-
Culture and recreation	68,088	88,980	88,980	-
Education	-	-	-	-
Conservation of natural resources	60,314	60,954	60,954	-
Economic development and assistance	352,977	247,075	247,075	-
Debt services:				-
Principal	151,000	151,000	151,000	-
Interest	19,000	23,702	23,702	-
Total expenditures	5,373,791	6,859,687	6,859,687	-
Excess (deficiency) of revenues over expenditures	(50,000)	(563,740)	(563,740)	-
OTHER FINANCING SOURCES (USES)				
Other financing sources	-	900,000	900,000	-
Other financing uses	-	(461,351)	(461,351)	-
Transfers in	-	200,000	200,000	-
Transfers out	-	(100,000)	(100,000)	-
Total other financing sources and uses	-	538,649	538,649	-
Net change in fund balances	(50,000)	(25,091)	(25,091)	-
Fund Balances - Beginning	1,846,789	1,783,749	1,783,749	-
Fund Balances - Ending	1,796,789	1,758,658	1,758,658	-

The accompanying notes to the required supplementary Information are an integral part of this statement.

MARION COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2004

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) 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. The Budgetary Comparison Schedule – Budget and Actual (Non-GAAP) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types
	<u>General</u>
Budget (Cash Basis)	(25,091)
Increase (Decrease)	
Net adjustment for revenue accruals	3,142,568
Net adjustment for expenditure accruals	(3,251,579)
GAAP Basis	<u><u>(134,102)</u></u>

MARION COUNTY

Supplemental Information

MARION COUNTY

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2004

<u>Federal Grantor / Pass-through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
MAJOR FEDERAL AWARDS			
<u>U.S. Department of Housing and Urban Development</u>			
Passed -through Mississippi Development Authority			
Home investment partnerships program	14.239	M03-SG-28-0979	350,000
Total U.S. Department of Housing and Urban Development			<u>350,000</u>
Total Expenditures of Major Federal Awards			<u>350,000</u>
OTHER FEDERAL AWARDS			
<u>U.S. Department of Housing and Urban Development</u>			
Passed -through Mississippi Development Authority			
CDBG / Small cities program	14.219	I119-02-046-PF-01	148,826
Total U.S. Department of Housing and Urban Development			<u>148,826</u>
<u>U.S. Department of Homeland Security</u>			
Passed-through MS Emergency Management Agency			
State Domestic Preparedness Equipment Support Program	97.004	2DPG2	155,554
Total U.S. Department of Homeland Security			<u>155,554</u>
Total Expenditures of Other Federal Awards			<u>304,380</u>
Total Expenditures of Federal Awards			<u>\$ 654,380</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.

MARION COUNTY

Special Reports

McDaniel CPA Firm
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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*

January 18, 2006

Members of the Board of Supervisors
Marion County, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, the major fund and the aggregate remaining fund information of Marion County, Mississippi, as of and for the year ended September 30, 2004, and have issued our report thereon dated January 18, 2006. 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. 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 the Marion 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. However, we noted a certain instance of noncompliance which we have reported to the management of Marion County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules dated January 18, 2006, included within this document.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marion County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the 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.

McDaniel CPA Firm

McDaniel CPA Firm
Certified Public Accountant / Financial Consultant

Scotty McDaniel, CPA

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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

January 18, 2006

Members of the Board of Supervisors
Marion County, Mississippi

Compliance

We have audited the compliance of Marion County, Mississippi with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2004. Marion County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Marion County, Mississippi's management. Our responsibility is to express an opinion on Marion 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 Marion 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 Marion County, Mississippi's compliance with those requirements.

In our opinion, Marion County, Mississippi complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended September 30, 2004.

Internal Control Over Compliance

The management of Marion 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 Marion 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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that 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 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.

McDaniel CPA Firm

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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))

January 18, 2006

Members of the Board of Supervisors
Marion County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Marion county, Mississippi, as of and for the year ended September 30, 2004. 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 Marion County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory 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 Marion County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

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

Purchase Clerk.

1. Finding

Sections 31-7-103 and 31-7-109, Miss. Code Ann. (1972), require a requisition, purchase order and receiving report for all purchases, except for those items enumerated by the Office of the State Auditor under the authority of Section 31-7-113, Miss. Code Ann. (1972), and except for purchases of not more than \$ 100. Some purchase documents appear to be completed after the fact, as evidenced by the dates on the documents.

Recommendation

The Purchase Clerk should restructure the central purchasing system of the county to bring it into compliance with the system as prescribed by the Office of the State Auditor. This will ensure that only authorized purchases can be made and proper documentation is completed prior to the purchase of the goods. The Purchase Clerk should ensure that the purchase documents are issued in their proper time sequence with all necessary information.

Purchase Clerk's Response

I will comply.

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

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

This report is intended for use in evaluating the central purchasing system and inventory control system of Marion 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.

McDaniel CPA Firm

MARION COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2004

Schedule 1

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

MARION COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2004

Schedule 2

Our test results did not identify any emergency purchases.

MARION COUNTY

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2004

Schedule 3

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

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Limited Internal Control and Compliance Review Management Report

January 18, 2006

Members of Board of Supervisors
Marion County, Mississippi

In planning and performing our audit of the financial statements of Marion County, Mississippi for the year ended September 30, 2004, we considered Marion County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Marion County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report date January 18, 2006, on the financial statement of Marion County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests on transactions for this or other fiscal years to ensure compliance with legal requirements.

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

McDaniel CPA Firm

MARION COUNTY
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2004

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|------|---|-------------|
| 4 . | Type of auditor's report issued on compliance for major federal programs: | unqualified |
| 5 . | Internal Control over major program: | |
| | a. Material weakness identified? | no |
| | b. Reportable conditions identified that are not considered to be material weaknesses? | no |
| 6 . | Any audit findings reported as required by section ____ .510(a) of Circular A-133? | no |
| 7 . | Federal programs identified as a major programs: | |
| | a. Home investment partnerships program | |
| | CFDA # 14.239 | |
| 8 . | The dollar threshold used to distinguish between type A and type B programs: | \$ 300,000 |
| 9 . | Auditee qualified as a low-risk auditee? | no |
| 10 . | Prior fiscal year audit finding(s) 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 |

Section 2: Findings Relating to the Financial Statements

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Section 3: Findings and Questioned Costs for Federal Awards

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