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MONROE COUNTY, MISSISSIPPI

FINANCIAL STATEMENTS

September 30, 2004

MONROE COUNTY, MISSISSIPPI

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

Members of the Board of Supervisors
Monroe 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 Monroe County, Mississippi, as of and for the year ended September 30, 2004, which collectively comprise the county's primary government financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Internal controls over certain fines receivable in the General Fund were not sufficient to allow us to form an opinion on the amount of fines receivable. In addition, management has not adopted procedures for reviewing the collectibility of fines receivable in the General Fund and, accordingly, has not considered the need to provide an allowance for uncollectible accounts. As a result, certain fines receivable and an allowance for uncollectibles have not been recorded in the accompanying financial statements. Accounting principles generally accepted in the United States of America require the recording of fines receivable and the providing of an adequate allowance for uncollectibles, which would increase and/or decrease the assets, net assets, revenues and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, revenues and expenses of governmental activities is not reasonably determinable.

The financial statements referred to above include only the primary government of Monroe 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 Monroe County, Mississippi, as of September 30, 2004, and the respective changes in its financial position and cash flows, where applicable for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects, if any, of the matters described in the third and fourth paragraphs, the primary government 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 Monroe County, Mississippi, as of September 30, 2004, and the respective changes in financial position, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

The management discussion and analysis on pages 5 through 14 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries to 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 9, 2006, on our consideration of Monroe County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the primary government financial statements that collectively comprise Monroe 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 of Monroe County, Mississippi. 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.

Franks, Franks + Jarrell, P.A.

FRANKS, FRANKS & JARRELL, P.A.
February 9, 2006

MONROE COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
Fiscal Year Ended September 30, 2004

INTRODUCTION

The discussion and analysis of Monroe County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2004. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

This discussion and analysis is a new element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*" issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented.

Monroe County is located in the northern portion of Mississippi approximately 166 miles northeast of Jackson, Mississippi, the state Capital. The population, according to the 2000 census, is 38,014. The local economic base is driven primarily by manufacturing.

FINANCIAL HIGHLIGHTS

Monroe County is financially stable. The County has committed itself to financial excellence for many years by using sound financial planning, budgeting, and strong internal controls. The County is committed to maintaining sound fiscal management to meet the challenges of the future.

Monroe County continues to grow both economically and in population. This has allowed the County to maintain a steady growth in tax revenues without a significant tax increase. The County government tax rate has decreased by 1.77 mills or 3.5% over the last 5 years. This does not include School tax increases.

Total net asset decreased \$114,491, which represents a less than a 1% decrease from the prior fiscal year. Monroe County had accumulated significant amounts of cash within its governmental funds in order to construct buildings, purchase equipment, and renovate existing buildings. A total of \$1,063,629 was expended for capital projects in the current fiscal year compared to expenditures of \$10,605,112 during fiscal year ended September 30, 2003.

The County had \$15,419,523 in total revenues during the current fiscal year compared to \$15,255,603 during fiscal year 2003. Property tax revenues account for \$7,209,879 and \$6,875,764 or 47% and 45% of total revenues during fiscal years ended 2004 and 2003 respectively. State and federal revenues in the form of reimbursements, shared revenue, or grants accounted for \$3,727,451 and \$4,321,119 or 24% and 28% of total revenues during fiscal years ended 2004 and 2003 respectively. Total expenses amounted to \$15,534,014 during 2004 and \$14,909,753 during 2003.

**MONROE COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
Fiscal Year Ended September 30, 2004**

Among major funds, the General Fund had \$7,049,789 in revenues and \$7,498,819 in expenditures. The General Fund's fund balance decreased \$127,932 under the prior year.

The Road & Bridge Maintenance Fund had \$3,601,167 in revenues and \$3,279,471 in expenditures. The fund balance increased \$464,574 over the prior year.

Capital assets, net of accumulated depreciation, increased by \$1,063,629. This significant change was due to several capital projects by the County.

Long-term debt decreased by \$1,314,285.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 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.

Figure 1 – Required Components of the County's Annual Report

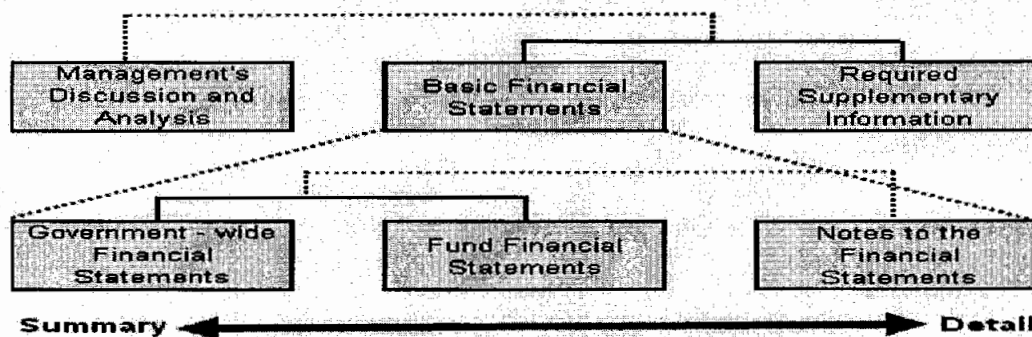


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

Figure 2 summarizes the major features of the County's financial statements, including the portion of the County's government they cover and the types of information they contain. The remainder of this section of Management's Discussion and Analysis explains the structure and content of each of the statements.

MONROE COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
Fiscal Year Ended September 30, 2004

Figure 2 – Major Features of the County’s Government-Wide and Fund Financial Statements

	Government -Wide Financial Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire County Government (except fiduciary funds) and component units	All activities of the County that are not Business-type or Fiduciary in nature	The County is the trustee or agent for someone else’s resources
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital and short and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short and long term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year of soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

MONROE COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
Fiscal Year Ended September 30, 2004

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the County finances, in a manner similar to private-sector businesses.

The **Statement of net assets** presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The **Statement of activities** presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government; public safety; public works (roads and bridges); health and welfare; culture and recreation; economic development; and interest on long-term debt.

Component units are not included in our basic financial statements and consist of legally separate entities for which the County is financially accountable and that have substantially the same board as the County or provide services entirely to the County. The Government-wide Financial Statements can be found on pages 15-17 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements. Governmental funds include the general, special revenue, debt service, and capital projects funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues,

MONROE COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
Fiscal Year Ended September 30, 2004

Expenditures, and Changes in Fund Balances” provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 19 and 21, respectively.

The County maintains individual governmental funds in accordance with the Mississippi County Financial Accounting Manual issued by the Mississippi Office of the State Auditor. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds 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.

The basic governmental funds financial statements can be found on pages 18-25 of this report.

Proprietary funds—Services for which Monroe County charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The County has only one type of proprietary funds—enterprise funds. The County’s enterprise funds are the same as its business-type activities yet provide more detail and additional information, such as cash flows. The measurement focus of proprietary funds is upon determination of net income, financial position and change in financial position. These funds are maintained on the accrual basis of accounting. The Balance Sheet, Statement of Revenues, Expenses and Changes in Retained Earnings, and Statement of Cash Flows are all required statements.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County’s own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County’s fiduciary activities are presented in a separate Statement of Fiduciary Assets and Liabilities, which can be found on page 25 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 26-44 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents Required Supplementary Information concerning the County’s budget process.

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 45-48 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 49 of this report.

MONROE COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
Fiscal Year Ended September 30, 2004

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets—Net assets may serve over time as a useful indicator of the government's financial position. In the case of Monroe County, assets exceeded liabilities by \$60,150,585 as of September 30, 2004.

A large portion of the County's net assets, 43,352,253 or 72%, reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The County uses these capital assets to provide services to its citizens.

The County's financial position is a product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the County's net assets for the fiscal year ended September 30, 2004 and 2003.

	<u>2004</u>	<u>2003</u>
Assets:		
Current Assets	\$ 21,962,888	\$ 22,586,173
Capital Assets, net	68,234,624	68,693,110
Total Assets	<u>90,197,512</u>	<u>91,279,283</u>
 Liabilities:		
Current Liabilities	6,526,523	6,420,732
Long-term Liabilities	23,520,404	24,850,001
Total Liabilities	<u>30,046,927</u>	<u>31,270,733</u>
 Net Assets:		
Invested in Capital Assets, net of related debt	43,352,253	42,496,454
Restricted	5,408,118	10,040,847
Unrestricted	11,390,214	7,471,249
Total Net Assets	<u><u>\$ 60,150,585</u></u>	<u><u>\$ 60,008,550</u></u>

MONROE COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
Fiscal Year Ended September 30, 2004

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- \$1,409,645 of long-term debt principal was retired.
- Capital assets increased by \$1,066,633 from the construction of new buildings and improvements.

Changes in Net Assets—Monroe County's total revenues for the fiscal year ended September 30, 2004 was \$15,419,523. The total cost for all services provided was \$15,534,014. The decrease in net assets was \$114,491. The following table presents a summary of the changes in net assets for the fiscal years ended September 30, 2004 and 2003.

	<u>2004</u>	<u>2003</u>
Revenues:		
Program Revenues		
Charges for services	\$ 1,355,655	\$ 1,201,548
Federal grants		1,803,350
Other grants and intergovernmental revenues	3,727,451	2,517,769
General Revenues		
Property taxes	7,209,879	6,875,764
Road and bridge privilege taxes	1,322,510	1,224,723
Fines and fees	1,329,491	1,363,210
Interest income	76,088	140,043
Other	398,449	129,196
Total Revenues	15,419,523	15,255,603
Expenses:		
General government	3,385,107	3,363,782
Public safety	3,252,922	2,487,216
Public works	4,526,547	4,064,719
Health and welfare	841,155	895,975
Culture and recreation	161,851	111,380
Education	2,500	58,750
Conservation of natural resources	186,561	127,581
Economic development	734,095	1,111,537
Interest on long-term debt	1,041,239	1,320,622
Solid waste management	1,402,037	1,368,191
Total Expenses	15,534,014	14,909,753
Increase in Net Assets	\$ (114,491)	\$ 345,850

MONROE COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
Fiscal Year Ended September 30, 2004

Governmental Activities—The following information presents the cost of five major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare, and Economic Development and Assistance.

The information also shows each function's net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity). The net cost shows the financial burden that was placed on Monroe County's taxpayers by each of these functions.

	2004 Total Expenses	2004 Net(Expense) Revenue	2003 Total Expenses	2003 Net(Expense) Revenue
General government	\$ 3,385,107	\$ (3,241,021)	\$ 3,363,782	(3,227,251)
Public safety	3,252,922	(1,895,594)	2,487,216	(815,999)
Public works	4,526,547	(4,518,397)	4,064,719	(3,601,767)
Health and welfare	841,155	(841,155)	895,975	(843,807)
Culture and recreation	161,851	(151,306)	111,380	(100,916)
Education	2,500	(2,500)	58,750	(58,750)
Conservation of natural resources	186,561	(186,561)	127,581	(127,581)
Economic development	734,095	(508,865)	1,111,537	(923,310)
Interest on long-term debt	1,041,239	(1,041,239)	1,320,622	1,794,633
Solid waste management	1,402,037	(302,080)	1,368,191	(1,197,300)
Total expenses	\$ 15,534,014	\$ (12,665,844)	\$ 14,909,753	\$ (9,102,048)

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental funds—At the close of the fiscal year, Monroe County's governmental funds reported a combined fund balance of \$12,691,018, a increase of \$128,226. The primary reasons for this increase are highlighted in the analysis of governmental activities. In addition, other factors that affected ending fund balance are as follows:

- The county had received grant and loan proceeds in the prior year that were expended in the current year related to several capital projects funds.

The General Fund is the principal operating fund of the County. The increase in the fund balance of the General Fund for the fiscal year was \$128,932.

**MONROE COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
Fiscal Year Ended September 30, 2004**

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

Over the course of the year, Monroe County revised its annual operating budget on several occasions. Significant budget amendments are explained as follows:

- Amendments were made to correct the estimated beginning fund balances made in the original budget to actual beginning fund balances at October 1.
- Budgeted expenditures for facilities construction was increased due primarily to change orders caused by unforeseen circumstances.

Even with these adjustments, actual disbursements were below final budget amounts by \$413,537 in the General Fund.

A schedule showing the original and final budget amounts compared to the County's actual financial activity for the General Fund and other major funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets—As of September 30, 2004, Monroe County's total capital assets was \$144,951,953. This includes land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase from the previous year of \$1,191,218. The majority of this increase is due to improvements for economic development and various infrastructure projects..

Total accumulated depreciation as of September 30, 2004 was \$76,717,329, including \$1,759,000 of depreciation expense for the year. The balance in total net capital assets was \$68,234,624 at year-end.

Additional information on Monroe County's capital assets can be found in note 6 on pages 35-37 of this report.

Debt Administration—At September 30, 2004, Monroe County had \$24,882,371 in long-term debt outstanding. This includes general obligation bonds, limited obligation bonds and other loans. Of this debt, \$1,361,967 is due within one year.

Monroe County maintains an "A-2" bond rating from Moody's Investment. The State of Mississippi limits the amount of debt a county can issue to generally 15% of total assessed value. The County's outstanding debt is significantly below its current limit of 39 million dollars.

Additional information on Monroe County's long-term debt can be found in note 11 on pages 40-42 of this report.

**MONROE COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
Fiscal Year Ended September 30, 2004**

CURRENT AND FUTURE ITEMS OF IMPACT

Monroe County continues to develop and attract industrial development in the area with future plans for expansion of its industrial park.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the County Administrator's office at P.O. Box 578, Aberdeen, MS 39730.

MONROE COUNTY, MISSISSIPPI
STATEMENT OF NET ASSETS - GOVERNMENT-WIDE
September 30, 2004

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS:</u>			
Current Assets:			
Cash on Deposit	\$ 11,748,176	\$ 764,046	\$ 12,512,222
Intergovernmental Receivables	213,133		213,133
Accounts Receivable, net of allowance		211,187	211,187
Court Fines Receivable, net of allowance	526,108		526,108
Property Taxes Receivable	4,558,670		4,558,670
Other Receivable	5,112	16,064	21,176
Internal Balances	6,096	(28,493)	(22,397)
Accrued Interest Receivable	12,407		12,407
Loans Receivable	435,316		435,316
Lease Receivables	3,495,066		3,495,066
TOTAL CURRENT ASSETS	21,000,084	962,804	21,962,888
Noncurrent Assets:			
Capital Assets:			
Land	2,384,395	17,371	2,401,766
Plant, Buildings and Improvements	27,519,147	40,000	27,559,147
Machinery and Equipment	7,131,379	930,161	8,061,540
Infrastructure	106,929,500		106,929,500
Accumulated Depreciation	(76,088,580)	(628,749)	(76,717,329)
TOTAL NONCURRENT ASSETS	67,875,841	358,783	68,234,624
TOTAL ASSETS	\$ 88,875,925	\$ 1,321,587	\$ 90,197,512

MONROE COUNTY, MISSISSIPPI
STATEMENT OF NET ASSETS - GOVERNMENT-WIDE
September 30, 2004

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 84,879	\$ 599	\$ 85,478
Intergovernmental Payables	226,808		226,808
Deferred Revenues	4,574,358	92,582	4,666,940
Accrued Compensated Absences	161,547	23,783	185,330
Current Maturities of Long-Term Debt Capital related:			
General Obligation Bonds	600,000		600,000
Notes Payable	323,990		323,990
Capital Lease Payable	426,322	11,655	437,977
TOTAL CURRENT LIABILITIES	6,397,904	128,619	6,526,523
Noncurrent Liabilities - Capital related:			
General Obligation Bonds, net of current maturities	12,815,000		12,815,000
Notes Payable, net of current maturities	4,713,922		4,713,922
Capital Lease Payable, net of current maturities	5,991,482		5,991,482
TOTAL NONCURRENT LIABILITIES	23,520,404	-	23,520,404
TOTAL LIABILITIES	29,918,308	128,619	30,046,927
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	43,005,125	347,128	43,352,253
Restricted for:			
Special Revenue Projects	3,596,448		3,596,448
Capital Projects	1,014,913		1,014,913
Debt Service	796,757		796,757
Unrestricted	10,544,374	845,840	11,390,214
TOTAL NET ASSETS	58,957,617	1,192,968	60,150,585
TOTAL LIABILITIES AND NET ASSETS	\$ 88,875,925	\$ 1,321,587	\$ 90,197,512

See accompanying notes to financial statements.

MONROE COUNTY, MISSISSIPPI
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - GOVERNMENT-WIDE
September 30, 2004

FUNCTIONS/ PROGRAMS	PROGRAM REVENUES					Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT								
Government Activities:								
General Government	\$ 3,385,107	\$ 144,086	\$ -	\$ 27,837	\$ 144,086	\$ (3,241,021)	\$ -	\$ (3,241,021)
Public Safety	3,252,922	1,329,491	-	-	1,357,328	(1,895,594)	-	(1,895,594)
Public Works	4,526,547	8,150	-	-	8,150	(4,518,397)	-	(4,518,397)
Health and Welfare	841,155	-	-	-	-	(841,155)	-	(841,155)
Culture and Recreation	161,851	10,545	-	-	10,545	(151,306)	-	(151,306)
Education	2,500	-	-	-	-	(2,500)	-	(2,500)
Conservation of Natural Resources	186,561	-	-	-	-	(186,561)	-	(186,561)
Economic Development and Assistance	734,095	225,230	-	-	225,230	(508,865)	-	(508,865)
Capital Projects	-	-	22,874	-	22,874	22,874	-	22,874
Debt Service	1,041,239	-	-	-	-	(1,041,239)	-	(1,041,239)
TOTAL GOVERNMENTAL ACTIVITIES	14,131,977	1,717,502	-	50,711	1,768,213	(12,363,764)	-	(12,363,764)
Business-Type Activities:								
Solid Waste Management	1,402,037	967,644	-	132,313	1,099,957	-	(302,080)	(302,080)
TOTAL BUSINESS-TYPE ACTIVITIES	1,402,037	967,644	-	132,313	1,099,957	-	(302,080)	(302,080)
TOTAL PRIMARY GOVERNMENT	\$ 15,534,014	\$ 2,685,146	\$ -	\$ 183,024	\$ 2,868,170	\$ (12,363,764)	\$ (302,080)	\$ (12,665,844)
GENERAL REVENUES:								
Property Taxes						\$ 7,147,962	\$ 61,917	\$ 7,209,879
Road and Bridge Privilege Taxes						1,322,510	-	1,322,510
Grants and Contributions not Restricted to Specific Programs						3,544,427	-	3,544,427
Investment Earnings						67,802	8,286	76,088
Miscellaneous						200,690	3,178	203,868
Gain (Loss) on Sale of Capital Assets						202,739	(8,158)	194,581
TOTAL GENERAL REVENUES AND TRANSFERS						12,486,130	65,223	12,551,353
CHANGE IN NET ASSETS						122,366	(236,857)	(114,491)
NET ASSETS--BEGINNING, as previously stated						58,578,725	1,429,825	60,008,550
PRIOR PERIOD ADJUSTMENT						256,526	-	256,526
NET ASSETS--BEGINNING, as restated						58,835,251	1,429,825	60,265,076
NET ASSETS--ENDING						\$ 58,957,617	\$ 1,192,968	\$ 60,150,585

See accompanying notes to financial statements.

MONROE COUNTY, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2004

	Major Funds		Other	Total
	General	Road & Bridge	Governmental	Governmental
	Fund	Maintenance	Funds	Funds
		Fund		
<u>ASSETS:</u>				
Cash on Deposit	\$ 6,438,517	\$ 109,472	\$ 5,195,227	\$ 11,743,216
Due From Other Governments	184,241		28,892	213,133
Due From Other Funds	13,700	75,438	38,710	127,848
Advance From Other Funds	24,242	2,245		26,487
Other Receivables		5,112		5,112
Accrued Interest Receivable	9,378		3,029	12,407
Property Taxes Receivable	2,038,637	1,346,631	1,173,402	4,558,670
Court Fines Receivable	526,108			526,108
Loans Receivable			435,316	435,316
Lease Payments Receivable	78,875		3,416,191	3,495,066
TOTAL ASSETS	\$ 9,313,698	\$ 1,538,898	\$ 10,290,767	\$ 21,143,363
<u>LIABILITIES AND FUND BALANCES:</u>				
<u>Liabilities:</u>				
Accounts Payable and Accrued Expenses	\$ 23,102	\$ 44,712	\$ 652	\$ 68,466
Due to Other Governments	226,808			226,808
Due to Other Funds	138,003	10,236		148,239
Advances From Other Funds				
Deferred Revenue - lease principal	54,124		2,716,043	2,770,167
Deferred Revenue - lease interest	24,751		700,148	724,899
Deferred Revenues	2,018,556	1,333,366	1,161,844	4,513,766
TOTAL LIABILITIES	2,485,344	1,388,314	4,578,687	8,452,345
<u>FUND BALANCES:</u>				
Reserved for Advances	24,242	2,245		26,487
Unreserved, reported in:				
Special Revenue Funds		148,339	3,475,802	3,624,141
Capital Projects Funds			1,014,912	1,014,912
Debt Service Funds			1,221,366	1,221,366
General Fund	6,804,112			6,804,112
TOTAL FUND BALANCES	6,828,354	150,584	5,712,080	12,691,018
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,313,698	\$ 1,538,898	\$ 10,290,767	\$ 21,143,363

See accompanying notes to financial statements.

MONROE COUNTY, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
For the Year Ended September 30, 2004

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 12,691,018
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	67,875,841
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	(24,870,716)
Assets related to the Self-Insurance Fund that are reported as a internal service fund in the fund financial statements but as governmental activities in the Government-Wide financial statements.	(72,045)
Deferred revenues for capital lease receivables deferred in the governmental funds because they will not be received within sixty days of the Consolidated Government's year end.	3,495,066
Accrued compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(161,547)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>58,957,617</u>

See accompanying notes to financial statements.

MONROE COUNTY, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the year ended September 30, 2004

	Major Funds			Total Governmental Funds
	General Fund	Road & Bridge Maintenance Fund	Other Governmental Funds	
REVENUES:				
General Property Taxes	\$ 3,196,381	\$ 2,111,405	\$ 1,840,176	\$ 7,147,962
Road and Bridge Privilege Taxes		1,258,805	63,705	1,322,510
Licenses and Commissions	27,778			27,778
Penalties and Interest	73,555			73,555
Intergovernmental Revenues	2,491,794	191,106	912,238	3,595,138
Charges for Services	376,437	8,150	365,381	749,968
Rentals	44,310		180,920	225,230
Fines and Forfeits	742,304			742,304
Interest Revenues	43,330	5,529	18,943	67,802
Miscellaneous Revenues	53,900	26,172	19,285	99,357
TOTAL REVENUES	7,049,789	3,601,167	3,400,648	14,051,604
EXPENDITURES:				
Current:				
General Government	3,520,110			3,520,110
Public Safety	2,611,084		321,563	2,932,647
Public Works	361,018	3,019,564	307,051	3,687,633
Health and Welfare	365,632		458,775	824,407
Culture and Recreation	90,000		69,842	159,842
Education	2,500			2,500
Conservation of Natural Resources	186,561			186,561
Economic Development and Assistance	266,584		163,621	430,205
Capital Projects	95,330		734,324	829,654
Debt Service				
Principal		243,142	864,319	1,107,461
Interest		16,765	1,024,474	1,041,239
TOTAL EXPENDITURES	7,498,819	3,279,471	3,943,969	14,722,259
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(449,030)	321,696	(543,321)	(670,655)
OTHER FINANCING SOURCES (USES)				
Long-Term Capital Debt Issued	95,330			95,330
Proceeds from Sale of Assets	13,475		227,010	240,485
Lease Principal Payments			463,066	463,066
Transfers (to) from Other Funds	469,157	142,878	(612,035)	0
TOTAL OTHER FINANCING SOURCES (USES)	577,962	142,878	78,041	798,881
NET CHANGE IN FUND BALANCES	128,932	464,574	(465,280)	128,226
FUND BALANCES - Beg., as previously stated	6,569,263	(326,623)	6,166,352	12,408,992
PRIOR PERIOD ADJUSTMENT	130,159	12,633	11,008	153,800
FUND BALANCES - Beg., as restated	6,699,422	(313,990)	6,177,360	12,562,792
FUND BALANCES - Ending	\$ 6,828,354	\$ 150,584	\$ 5,712,080	\$ 12,691,018

See accompanying notes to financial statements.

MONROE COUNTY, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT
OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended September 30, 2004

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 128,226
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Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report capital outlay as expenditures. However, in the Government Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	1,063,629
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Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.	(1,704,909)
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Elimination of excess of expenses over contributions in the internal service fund related to self-insurance.	(128,347)
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Payments received related to deferred revenues reported as revenue on the Governmental Funds financial statements as received for lease principal payments.	(463,066)
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Expenditures reported as accumulated compensated absences in Government-Wide Statements.	(4,567)
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Governmental Funds report proceeds from the sale of capital assets as revenues since capital assets are not reported in the Governmental Funds. However, the Government-Wide Statements do report capital assets. Thus, the change in net assets differs from the change in fund balances by the following:	
Net value of capital assets sold or otherwise disposed of during the current year.	(37,746)

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets.	
This amount represents capital lease proceeds.	(95,330)
This amount represents long-term debt repayments.	1,364,476

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>122,366</u>
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See accompanying notes to financial statements.

MONROE COUNTY, MISSISSIPPI
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2004

	Solid Waste Fund	Internal Service Fund
ASSETS		
<u>Current Assets</u>		
Cash	\$ 764,046	\$ 4,961
Accounts Receivable, net of allowance of \$135,588	211,187	
Other Receivable	16,064	
Due From Other Funds	11,694	
TOTAL CURRENT ASSETS	1,002,991	4,961
Noncurrent Assets:		
<u>Capital Assets:</u>		
Land	17,371	
Plant, Buildings and Improvements	40,000	
Machinery and Equipment	930,161	
Accumulated Depreciation	(628,749)	
TOTAL NONCURRENT ASSETS	358,783	
TOTAL ASSETS	\$ 1,361,774	\$ 4,961
LIABILITIES AND NET ASSETS		
<u>Current Liabilities</u>		
Accounts Payable and Accrued Expenses	\$ 599	\$ 16,414
Due to Other Funds	13,700	
Advances from Other Funds	26,487	
Deferred Revenues	92,582	60,592
Accrued Compensated Absences	23,783	
Capital Leases Payable - Within One Year	11,655	
Total Current Liabilities	168,806	77,006
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	347,128	
Unrestricted		(72,045)
Restricted for Public Works	845,840	
Total Net Assets	1,192,968	(72,045)
TOTAL LIABILITIES AND NET ASSETS	\$ 1,361,774	\$ 4,961

See accompanying notes to financial statements.

MONROE COUNTY, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2004

	Solid Waste Fund	Internal Service Fund
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 967,644	\$
Premiums		800,374
Refunds		139,101
Other Receipts	3,178	
Total Operating Revenues	<u>970,822</u>	<u>939,475</u>
<u>OPERATING EXPENSES</u>		
Personal Services	673,129	
Contractual Services	545,641	
Supplies	127,292	
Depreciation and Amortization	54,091	
Claims Payments		812,282
Administrative		53,740
Insurance Premiums		202,104
Total Operating Expenses	<u>1,400,153</u>	<u>1,068,126</u>
Operating Income (Loss)	<u>(429,331)</u>	<u>(128,651)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest Income	8,286	304
Loans and Grants	132,313	
Ad Valorem Taxes	61,917	
Loss on Asset Disposal	(8,158)	
Interest and Fiscal Charges	<u>(1,884)</u>	
Total Non-Operating Revenues (Expenses)	<u>192,474</u>	<u>304</u>
<u>INCOME BEFORE OPERATING TRANSFERS</u>	<u>(236,857)</u>	<u>(128,347)</u>
Operating Transfers (Out)	<u>0</u>	<u>0</u>
NET INCOME (LOSS)	<u>(236,857)</u>	<u>(128,347)</u>
NET ASSETS - OCTOBER 1,	<u>1,429,825</u>	<u>56,302</u>
NET ASSETS - SEPTEMBER 30,	<u>\$ 1,192,968</u>	<u>\$ (72,045)</u>

See accompanying notes to financial statements.

MONROE COUNTY, MISSISSIPPI
STATEMENT OF CASH FLOWS-PROPRIETARY FUND
For the Fiscal Year Ended September 30, 2004

	Solid Waste Fund	Internal Service Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash Received from Customers	\$ 946,799	\$
Cash Received for Premiums and Refunds		941,696
Cash Payments for Personal Services	(672,151)	
Cash Payments for Contractual Services	(499,623)	
Cash Payments for Supplies	(140,517)	
Cash Payments for Claims		(811,048)
Cash Payments for Administrator Services		(53,740)
Cash Payments for Insurance Premiums		(202,104)
Cash Payments for Other Services	(12,219)	
Net Cash Provided By (Used In) Operating Activities	<u>(377,711)</u>	<u>(125,196)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Operating Transfers - In from (Out) to Other Funds	16,685	
Miscellaneous Funds-Net	3,177	
Net Cash Flows Provided By (Used In) Noncapital Financing Activities	<u>19,862</u>	<u>0</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Loans and Grants	112,477	
Ad Valorem Taxes	61,917	
Proceeds From the Sale of Capital Assets	0	
Acquisition and Construction of Capital Assets	(3,004)	
Principal Paid on Bonds, Notes and Capital Lease Payables	(45,139)	
Interest Paid on Bonds, Notes and Capital Lease Payables	(1,884)	
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>124,367</u>	<u>0</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest on Investments	8,045	
Net Cash Provided By Investing Activities	<u>8,045</u>	<u>0</u>
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	(225,437)	(125,196)
CASH AND RESTRICTED CASH, OCTOBER 1	<u>989,483</u>	<u>130,157</u>
CASH AND RESTRICTED CASH, SEPTEMBER 30	<u>\$ 764,046</u>	<u>\$ 4,961</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY USED IN OPERATING ACTIVITIES:</u>		
Operating Income (Loss)	\$ (429,331)	\$ (128,651)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities		
Depreciation	54,091	
Provision for Uncollectible Accounts	20,573	
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(52,650)	
(Increase) Decrease in Other Receivables	(5,014)	
Increase (Decrease) in Payables	(1,219)	1,234
Increase (Decrease) in Accrued Compensated Absences	2,198	
Increase (Decrease) in Deferred Revenues	33,641	2,221
Total Adjustments	<u>51,620</u>	<u>3,455</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ (377,711)</u>	<u>\$ (125,196)</u>

See accompanying notes to financial statements.

MONROE COUNTY, MISSISSIPPI
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
September 30, 2004

ASSETS:

Cash on Deposit	\$ 216,760
Due from Other Funds	22,397
Accrued Interest	<u>77</u>
Total Assets	<u><u>239,234</u></u>

LIABILITIES:

Intergovernmental payables	\$ <u><u>239,234</u></u>
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See accompanying notes to financial statements.

MONROE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity.

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

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

- Cason Fire District
- Sipsey River Fire District
- Splunge Fire District
- Wren Fire 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
- Tax 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 the 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 separately from business type activities. Business-type activities rely mainly on fees and charges for support.

MONROE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES –continued

The statement of net assets presents the financial condition of the governmental activities and business-type activities for the County at year-end. The Government-wide statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and for the business-type activities of the County. 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 and services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Taxes and other revenues that are 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. 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.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The county's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncement 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.

MONROE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES –continued

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.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available to finance operations during the year or to liquidate liabilities existing at year end. Revenues are considered to be available when they are collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recorded in the accounting period when the related fund liabilities are incurred. However, debt services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded 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.

Road and Bridge Maintenance Fund – Accounts for monies from specific revenue sources that are restricted for road and bridge maintenance.

The County reports the following major proprietary fund:

The Solid Waste Management Fund – This fund is used to account for the County's solid waste collection system. This fund is responsible for solid waste collection to the certain residents of Monroe County.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Debt Service Fund – The Debt Service Fund was established to receive and account for resources restricted for the payment of interest and principal on general improvement and school bonds, and notes and capital leases.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources such as proceeds from the sale of bonds, bond anticipation notes, capital notes, transfers from governmental funds, and federal and state grants, all provided for the specific purpose of constructing, reconstructing or acquiring permanent or semi-permanent capital improvements. Capital improvements intended for Enterprise Fund use are not included in the Capital Projects Funds.

MONROE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES –continued

Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of specific federal and state grants that are legally restricted to expenditures for specified purposes.

PROPRIETARY FUND TYPES

Enterprise Fund – This fund is 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.

Internal Service Funds – These funds are used to account for those operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

FIDUCIARY FUND TYPES

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.

C. 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.

D. Cash 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.

MONROE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES –continued

E. Receivables.

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

F. 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.

G. Capital Assets.

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

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Monroe County meets this criteria, but has elected to report major general infrastructure assets retroactively. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are reported in 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.

MONROE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES –continued

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

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land	\$ 0	N/A
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Other furniture and equipment	5,000	3-7 years

H. 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.

I. 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.

MONROE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES –continued

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 regulations of other governments; or law through constitutional provisions or enabling legislation.

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

Fund Financial Statements:

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

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

J. 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.

K. 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.

MONROE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES –continued

L. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and proprietary fund 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 \$185,330 for accumulated unpaid personal leave up to a maximum of 20 days per employee is reported as a liability in the Statement of Net Assets.

NOTE 2 – DEPOSITS

The carrying amount of the County's total deposits with financial institutions at September 30, 2004, was \$12,728,983 and the bank balance was \$11,506,157. The collateral for public entities' deposits in financial institutions are now 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.

NOTE 3 – INTERFUND TRANSACTIONS AND BALANCES

The composition of interfund balances at September 30, 2004, consists of the following:

Interfund Receivable/Payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste	\$ 13,700
Road & Bridge Maintenance Fund	General Fund	75,438
Agency Fund	General Fund	22,398
Solid Waste Fund	General Fund	1,458
Solid Waste Fund	Road & Bridge Maint. Fund	10,236
Other Governmental Funds	General Fund	<u>38,710</u>
Total		<u>\$ 161,940</u>

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

MONROE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 3 – INTERFUND TRANSACTIONS AND BALANCES –continued

Advances to/from other funds:

<u>Advances To</u>	<u>Advances From</u>	<u>Amount</u>
Solid Waste	General Fund	\$ 24,242
Solid Waste	Road & Bridge Maintenance Fund	<u>2,245</u>
Total		<u>\$ 26,487</u>

Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Road & Bridge Maint. Fund	Other Governmental Funds	\$ 142,878
Other Governmental Funds	General Fund	692,996
General Fund	Other Governmental Funds	<u>1,162,153</u>
Total		<u>\$ 1,998,027</u>

The principal purpose of interfund transfers was to transfer matching funds to a capital project fund. All interfund transfers were consistent with the activities of the fund making the transfer.

NOTE 4 – INTERGOVERNMENTAL RECEIVABLES

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

Governmental Activities:

<u>Decription</u>	
Legislative tax credit	\$ 164,030
Reimbursement E-911 training	28,892
Other intergovernmental receivables	4,336
Reimbursements for prisoner fees	15,875
	<u>0</u>
Total Governmental Activities	<u>\$ 213,133</u>

MONROE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 5 – LOANS RECEIVABLE

Loans receivable at September 30, 2004, consists of the following:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Payable</u>
Promissory note – Holley Performance Products	11/21/00	5.75%	01/01/2017	\$ <u>435,316</u>
Total				\$ <u>435,316</u>

NOTE 6 – CAPITAL ASSETS

The following is a summary of capital asset activity as of September 30, 2004:

Primary Government:

	<u>Balance 10/1/2003</u>	<u>Additions</u>	<u>Disposals</u>	<u>Adjustments</u>	<u>Balance 9/30/2004</u>
Capital Assets, not being depreciated:					
Land	\$ 2,186,418	\$ 0	\$ (7,500)	\$ 205,477	\$ 2,384,395
Total Capital Assets, not being depreciated	2,186,418	0	(7,500)	205,477	2,384,395
Capital Assets being depreciated:					
Plant, Buildings, & Improvements	27,243,737	275,410	0	0	27,519,147
Infrastructure	106,503,480	426,020	0	0	106,929,500
Machinery and Equipment	6,829,360	362,199	(165,104)	104,924	7,131,379
Total Capital Assets being depreciated	140,576,577	1,063,629	(165,104)	104,924	141,580,026
Less Accumulated Depreciation for:					
Plant, Buildings, & Improvements	(5,637,207)	(578,080)	0	0	(6,215,287)
Machinery and Equipment	(4,555,123)	(505,449)	137,858	(33,619)	(4,956,333)
Infrastructure	(64,295,580)	(621,380)	0	0	(64,916,960)
Total Accumulated Depreciation	(74,487,810)	(1,704,909)	137,858	(33,619)	(76,088,580)
Total Capital Assets, depreciated, net Governmental Activities	66,088,667	(641,280)	(27,246)	71,305	65,491,446
Governmental Capital Assets, net	\$ <u>68,275,085</u>	\$ <u>(641,280)</u>	\$ <u>(34,746)</u>	\$ <u>276,782</u>	\$ <u>67,875,841</u>

MONROE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 6 – CAPITAL ASSETS – continued

A summary of business-type capital asset activity at September 30, 2004 follows:

	Balance 10/1/2003	Additions	Disposals	Balance 9/30/2004
Capital Assets, not being depreciated:				
Land	\$ 17,371	\$ 0	\$ 0	\$ 17,371
Total Capital Assets, not being depreciated	17,371	0	0	17,371
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	40,000	0	0	40,000
Machinery and Equipment	940,369	3,004	(13,212)	930,161
Total Capital Assets being depreciated	980,369	3,004	(13,212)	970,161
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(36,000)	0	0	(36,000)
Machinery and Equipment	(543,715)	(54,091)	5,057	(592,749)
Total Accumulated Depreciation	(579,715)	(54,091)	5,057	(628,749)
Total Capital Assets, depreciated, net	400,654	(51,087)	(8,155)	341,412
Governmental Capital Assets, net	\$ 418,025	\$ (51,087)	\$ (8,155)	\$ 358,783

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. Depreciation has been calculated on the fixed assets using the following useful lives:

Plant, building, and Improvements	5 – 40 Years
Machinery and Equipment	5 – 15 Years
Furniture and Fixtures	5 – 20 Years
Vehicles	5 – 10 Years

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 85,279
Public Safety	357,097
Public Works	883,732
Health & Welfare	16,748
Economic Development & Assistance	360,044
Culture & Recreation	2,009
Total Depreciation Expense – Governmental Activities	\$ 1,704,909
Business Type Activities:	
Solid Waste	\$ 54,091

MONROE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 7 – COMMITMENTS

As of September 30, 2004, the County had the following commitments with respect to unfinished capital projects:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Industrial construction for Lane Furniture, Inc.	226,706	December 2004
Industrial construction for Summit Marine, Inc.	34,536	December 2004

NOTE 8 – CLAIMS AND JUDGMENTS

Risk Financing:

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$500,000 for law enforcement, fire fighters and road construction personnel and \$400,000 for all other employees for each accident and completely covers all 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, 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.

The County is exposed to risk of loss relating to employee health, accident and dental coverage. Beginning in 1997 and pursuant to Section 25-15-101, Miss. Code Ann. (1972), the county established a risk management fund (included as an Internal Service Fund) to account for and finance its uninsured risk of loss. Under the plan, amounts payable to the risk management fund are based on actuarial estimates. The County pays the premiums on a single coverage policy for its employees. Employees desiring additional and/or dependent coverage pay the additional premium through a payroll deduction. Premium payments to the risk management fund are determined on an actuarial basis. The County has a minimum uninsured risk retention to the extent that actual claims submitted exceed the predetermined premium. The County has implemented the following plans to minimize this potential loss:

The County has purchased coinsurance which functions on two separate stop loss coverages: specific and aggregate. These coverages are purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$25,000, and the aggregate policy covers all submitted claims in excess of \$975,000.

MONROE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 8 – CLAIMS AND JUDGMENTS – continued

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). At September 30, 2004, the amount of these liabilities was \$298,442. An analysis of claims activity is presented below:

	<u>Beg. Liability</u>	<u>Current yr. Claims/Est.</u>	<u>Claims Payments</u>	<u>Ending Liability</u>
2002-2003	\$ 18,260	\$ 758,779	\$ 529,498	\$ 247,541
2003-2004	247,541	863,183	812,282	298,442

NOTE 9 – CAPITAL LEASES

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2004:

<u>Class of Property</u>	<u>Amount</u>
Industrial facilities	\$ <u>2,770,168</u>

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2004, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years Ending September 30:			
2005	\$ 259,197	\$ 139,012	\$ 398,209
2006	271,846	124,845	396,691
2007	285,787	109,904	395,691
2008	301,558	94,132	395,690
2009	318,202	77,489	395,691
2010-2014	1,112,033	142,896	1,254,929
2015-2019	138,364	31,276	169,640
2020-2024	81,342	5,308	86,650
2025-2029	1,839	36	1,875
Total Lease Receivables	\$ <u>2,770,168</u>	\$ <u>724,898</u>	\$ <u>3,495,066</u>

MONROE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 9 – CAPITAL LEASES - continued

As Lessee:

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

<u>Classes of Property</u>	<u>Proprietary Fund</u>	<u>Governmental Activities</u>
Mobile Equipment	\$ <u>137,090</u>	\$ <u>770,573</u>
Total	137,090	770,573
Less: Accumulated depreciation	<u>86,366</u>	<u>298,482</u>
Leased Property under Capital Leases	\$ <u><u>50,724</u></u>	\$ <u><u>472,091</u></u>

The future minimum lease payments together with the present value of the net minimum lease payables as of September 30, 2004, are as follows:

	<u>Proprietary Fund</u>		<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year Ending September 30:				
2005	\$ 11,655	\$ 101	\$ 426,322	\$ 286,501
2006	0	0	403,423	272,346
2007	0	0	284,234	260,627
2008	0	0	253,825	250,654
2009	0	0	265,000	240,613
2010-2014	0	0	1,515,000	1,023,713
2015-2019	0	0	1,895,000	639,259
2020-2024	<u>0</u>	<u>0</u>	<u>1,375,000</u>	<u>142,688</u>
Total Minimum Lease Payments	\$ <u><u>11,655</u></u>	\$ <u><u>101</u></u>	\$ <u><u>6,417,804</u></u>	\$ <u><u>3,116,401</u></u>

MONROE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 10 – OPERATING LEASES

As Lessor:

The County receives income from property it leases under noncancellable operating leases. Total income from such leases was \$135,405 for the year ended September 30, 2004. The future minimum lease receivables for these leases are as follows:

	<u>Amount</u>
Year Ending September 30:	
2005	\$ 93,750
2006	90,000
2007	90,000
2008	90,000
2009	90,000
Later Years	<u>172,500</u>
Total Minimum Payments Required	<u>\$ 626,250</u>

NOTE 11 – 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 Rates</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
Monroe County Hospital Bonds	\$ 4,790,000	4.7/7.7	01-2026
Road and Bridge Refunding Bonds	3,290,000	3.6/4.5	04-2014
Lane Furniture Bonds	4,650,000	4.3/6.75	10-2021
Countywide Road Construction Bond	<u>685,000</u>	4.3/6.1	06-2013
Total General Obligation Bonds	<u>\$ 13,415,000</u>		
B. Capital Leases:			
Countywide Road Equipment	\$ 260,677	3.86	07-2006
Computer System	82,140	3.049	02-2008
Mack Tractor Truck	46,553	3.24	03-2007
Jail Project	6,025,000	2.75/5.12	04-2022
Kobelco Excavator	<u>3,434</u>	5.07	11-2004
Total Capital Leases	<u>\$ 6,417,804</u>		
C. Other Loans:			
CDBG Loan	\$ 437,372	5.75	01-2016
Mississippi Development Authority	1,450,000	4.00	12-2022
Tennessee Valley Authority	1,748,936	4.00	11-2012
Mississippi Dept. of Econ. & Comm. Dev.	931,201	3.00	11-2022
Mississippi Dept. of Econ. & Comm. Dev.	<u>470,403</u>	3.00	03-2023
Total Other Loans	<u>\$ 5,037,912</u>		

MONROE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 11 – LONG-TERM DEBT - continued

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>
Solid Waste – Enterprise Fund:			
A. Capital Lease:			
Various garbage Collection equipment	\$ <u>11,655</u>	5.19	12-2004

The annual requirements to amortize all general obligation bonds and other loans outstanding as of September 30, 2004 are as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2005	\$ 923,990	\$ 964,192	\$ 0	\$ 0	\$ 1,888,182
2006	964,799	921,014	0	0	1,885,813
2007	1,006,075	876,410	0	0	1,882,485
2008	1,047,691	838,244	0	0	1,885,935
2009	1,095,033	780,185	0	0	1,875,218
2010-2014	5,766,652	3,073,650	0	0	8,840,302
2015-2019	3,554,912	1,841,169	0	0	5,396,081
2020-2024	3,333,760	747,120	0	0	4,080,880
2025-2026	<u>760,000</u>	<u>78,937</u>	<u>0</u>	<u>0</u>	<u>838,937</u>
Total	\$ <u>18,452,912</u>	\$ <u>10,120,921</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>28,573,833</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 general obligation bonded 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 general obligation bonded debt was equal to 6.5% of the latest property assessments.

MONROE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 11 – LONG-TERM DEBT - continued

The following changes occurred in liabilities reported at year end:

<u>Styling</u>	<u>Balance October 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Sept. 30, 2004</u>
Governmental Activities:				
Compensated absences	\$ 156,980	\$ 4,567	\$ 0	\$ 161,547
General obligation bonds	13,990,000	0	575,000	13,415,000
Capital leases	6,803,805	95,330	481,331	6,417,804
Other loans	<u>5,346,087</u>	<u>0</u>	<u>308,175</u>	<u>5,037,912</u>
Total	<u>\$ 26,296,872</u>	<u>\$ 99,897</u>	<u>\$ 1,364,506</u>	<u>\$ 25,032,263</u>
Proprietary Funds:				
Compensated absences	\$ 21,585	\$ 2,198	\$ 0	\$ 23,783
Claims and judgements	0	0	0	0
Capital Leases	<u>56,794</u>	<u>0</u>	<u>45,139</u>	<u>11,655</u>
Total	<u>\$ 78,379</u>	<u>\$ 2,198</u>	<u>\$ 45,139</u>	<u>\$ 35,438</u>

NOTE 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.

NOTE 13 – JOINT VENTURE

The county participates in the following joint venture:

Monroe County is a participant with the City of Aberdeen in a joint venture, authorized by Section 41-13-15, Miss. Code Ann. (1972), to operate the Aberdeen-Monroe County Hospital. The joint venture was created to provide medical care and is governed by a board of directors, composed of five members; two appointed by the county, two appointed by the City of Aberdeen and a fifth jointly appointed. Effective July 6, 2001, Monroe County and the City of Aberdeen authorized the execution of a lease agreement with Pioneer Health Services of Monroe County, Inc., for the Aberdeen-Monroe County Hospital and its related facilities. The lease agreement is for a term of ten years, with an option to renew.

MONROE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS

The County participates in the following jointly governed organizations:

Tombigbee Regional Library System operates in a district composed of the Counties of Choctaw, Clay, Monroe and Webster. The Monroe County Board of Supervisors appoints two of the five members of the library board of trustees. The County appropriated approximately \$96,675 for maintenance and support of the library in fiscal year 2004.

Three Rivers Planning and Development District operates in a district composed of the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The governing body is a 40-member board of directors, with five appointed by the Board of Supervisors of each member county. The County budgeted \$47,082 for maintenance and support of the district in fiscal year 2004.

Northeast Mental Health-Mental Retardation Commission operates in a district composed of the Counties of Benton, Chickasaw, Itawamba, Lee, Monroe, Pontotoc and Union. The board of commissioners consists of one appointee from each County's Board of Supervisors. The County budgeted \$46,000 for maintenance and support of the commission in fiscal year 2004.

Itawamba Community College operates in a district composed of the counties of Chickasaw, Itawamba, Lee, Monroe and Pontotoc. The governing body is a 30-member board of trustees, with six appointed by the Board of Supervisors of each member county. Monroe County appropriated \$911,208 for maintenance and support of the college in fiscal year 2004.

Three Rivers Solid Waste Management Authority operates in a district composed of the Counties of Calhoun, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union and the Cities of Aberdeen, Amory, Fulton, New Albany, Oxford, Pontotoc and Tupelo. The authority is governed by a 14-member board, with one appointed by each member. The entity is fiscally independent of the members. Members are billed based on the volume of solid waste deposited.

NOTE 15 – DEFINED BENEFIT PENSION PLAN

Plan Description. Monroe 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, 2004, 2003 and 2002 were \$463,158, \$452,902 and \$427,005, respectively, equal to the required contributions for each year.

MONROE COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 16 – NET ASSETS RESTATEMENT

The beginning balances of certain accounts have been restated to correct errors. Subsequent to issuing the financial statements for the year ending September 30, 2003, management discovered an error in the general government fixed asset listing of \$104,924, error in the general government depreciation schedule of \$33,619, and unrelated errors in recording of accruals. General government fixed assets were understated by \$310,401 and accumulated depreciation was understated by \$33,619. The effect of corrections of these errors increases the beginning net asset balance for Governmental Activities by \$256,526 for the Statement of Activities and Changes in Net Assets-Government-wide; this correction has no effect on the fund financial statements.

MONROE COUNTY, MISSISSIPPI
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-BUDGET AND ACTUAL -
BUDGETARY BASIS
For the year ended September 30, 2004

	Budget			Variance with
	Original	Final	Actual	Final Budget (Unfavorable)
REVENUES:				
General Property Taxes	\$ 3,082,138	\$ 3,082,138	\$ 3,225,297	\$ 143,159
Licenses and Commissions	404,000	404,000	27,778	(376,222)
Penalties and Interest			73,555	73,555
Intergovernmental Revenues	1,896,460	1,896,460	2,491,794	595,334
Charges for Services	350,000	350,000	373,562	23,562
Rentals			44,310	44,310
Fines and Forfeits	306,675	306,675	327,230	20,555
Interest Revenues	71,350	71,350	38,931	(32,419)
Miscellaneous Revenues	56,360	56,360	53,200	(3,160)
TOTAL REVENUES	6,166,983	6,166,983	6,655,657	488,674
EXPENDITURES:				
Current:				
General Government	4,026,988	4,026,856	3,563,749	463,107
Public Safety	3,047,634	2,425,507	2,611,084	(185,577)
Public Works	370,785	122,785	361,018	(238,233)
Health and Welfare	374,383	373,883	365,632	8,251
Culture and Recreation	90,000	90,000	90,000	0
Education	5,000	5,000	2,500	2,500
Conservation of Natural Resources	201,458	201,458	186,561	14,897
Economic Development and Assist.	266,588	249,358	266,584	(17,226)
Debt Service		365,818		365,818
TOTAL EXPENDITURES	8,382,836	7,860,665	7,447,128	413,537
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,215,853)	(1,693,682)	(791,471)	902,211
OTHER FINANCING SOURCES (USES):				
Proceeds from Sale of Assets	0	0	13,475	13,475
Transfers (to) from Other Funds	7,500	7,500	469,157	461,657
TOTAL OTHER FINANCING SOURCES (USES)	7,500	7,500	482,632	475,132
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES	\$ (2,208,353)	\$ (1,686,182)	\$ (308,839)	\$ 1,377,343

See accompanying notes to financial statements.

MONROE COUNTY, MISSISSIPPI
ROAD & BRIDGE MAINTENANCE FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-BUDGET AND ACTUAL -
BUDGETARY BASIS
For the year ended September 30, 2004

	Budget		Actual	Variance with Final Budget (Unfavorable)
	Original	Final		
REVENUES:				
General Property Taxes	\$ 2,055,000	\$ 2,055,000	\$ 2,117,781	\$ 62,781
Licenses and Commissions	50	50	0	(50)
Road & Bridge Privilege Taxes	418,012	418,012	1,258,805	840,793
Intergovernmental Revenues	1,211,355	1,211,355	191,106	(1,020,249)
Charges for Services	6,500	6,500	8,150	1,650
Interest Revenues	250	250	5,529	5,279
Miscellaneous Revenues	1,100	1,100	26,172	25,072
TOTAL REVENUES	3,692,267	3,692,267	3,607,543	(84,724)
EXPENDITURES:				
Current:				
Public Works	3,420,749	3,604,000	3,279,471	324,529
				0
TOTAL EXPENDITURES	3,420,749	3,604,000	3,279,471	324,529
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	271,518	88,267	328,072	239,805
OTHER FINANCING SOURCES (USES):				
Transfers (to) from Other Funds	10,000	10,000	142,878	132,878
TOTAL OTHER FINANCING SOURCES (USES)	10,000	10,000	142,878	132,878
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES	\$ 281,518	\$ 98,267	\$ 470,950	\$ 372,683

See accompanying notes to financial statements.

MONROE COUNTY, MISSISSIPPI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
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 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.

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:

MONROE COUNTY, MISSISSIPPI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2004

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>Road & Bridge Maintenance</u>
Budget (Cash Basis)	\$ (308,839)	\$ 470,950
Increase (Decrease)		
Net adjustments for revenue accruals	394,132	(6,376)
Net adjustments for expenditure accruals	<u>43,639</u>	<u>-</u>
GAAP Basis	\$ <u>128,932</u>	\$ <u>464,574</u>

MONROE COUNTY, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2004

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARDS			
U.S. Department of Transportation - Federal Aviation Admin. Airport Improvement Program	20.106		329,037
Appalachian Regional Commission ARC - TVA Section 214 Grant	23.002	1328-02-048-AR-01	<u>500,000</u>
Total Expenditures of Major Federal Awards			<u>829,037</u>
OTHER FEDERAL AWARDS			
U.S. Department of Agriculture - Farm Service Agency Conservation Reserve Program	10.069		<u>2,646</u>
U.S. Department of Commerce - Economic Development Admin. Public Works and Development Facilities	11.300		<u>112,200</u>
U.S. Department of Housing and Urban Development Passed-through the Mississippi Development Authority Community Development Block Grant Program	14.228	1118-01-048-ED-IF01	<u>95,091</u>
Total Expenditures of Other Federal Awards			<u>209,937</u>
Total Expenditures of Federal Awards			<u>\$ 1,038,974</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.



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

Members of the Board of Supervisors
Monroe County, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Monroe County, Mississippi, as of and for the year ended September 30, 2004, which collectively comprise the county's basic primary government financial statements, and have issued our report thereon dated February 9, 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 and the report is qualified on the governmental activities because internal controls over certain fines receivable and the allowance for uncollectible fines receivable were not sufficient to allow us to form an opinion on the amount of fines receivable. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Monroe 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 Monroe County, Mississippi's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

The reportable condition is described in the accompanying schedule of findings and questioned costs.

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 condition described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Monroe County, Mississippi's primary government financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Franks, Franks + Jarrell, P.A.

FRANKS, FRANKS & JARRELL, P.A.
February 9, 2006



**FRANKS,
FRANKS &
JARRELL, P.A.**

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

Members of the Board of Supervisors
Monroe County, Mississippi

Compliance

We have audited the compliance of the Monroe County, Mississippi, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2004. Monroe 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 Monroe County, Mississippi's management. Our responsibility is to express an opinion on the Monroe 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 Monroe 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 Monroe County, Mississippi's compliance with those requirements.

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

Internal Control Over Compliance

The management of Monroe 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 Monroe 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 caused by error or fraud 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.

Franks, Franks & Jarrell, P.A.

FRANKS, FRANKS & JARRELL, P.A.
February 9, 2006



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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))**

Members of the Board of Supervisors
Monroe County, Mississippi

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

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

In our opinion, Monroe 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 Monroe 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 no limited.

Franks, Franks & Jarrell, P.A.

FRANKS, FRANKS & JARRELL, P.A.
February 9, 2006

MONROE COUNTY, MISSISSIPPI
SCHEDULE OF PURCHASES NOT MADE FROM THE LOWEST BIDDER
For the Year Ended September 30, 2004

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for accepting other than the lowest bid</u>
-------------	---------------------------	-------------------------	---------------	-----------------------	---

Our test did not identify any purchases that were not made from the lowest bidder.

MONROE COUNTY, MISSISSIPPI
SCHEDULE OF EMERGENCY PURCHASES
For the Year Ended September 30, 2004

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
-------------	---------------------------	------------------------	---------------	--

Our test did not identify any purchases that were made as emergency purchases.

MONROE COUNTY, MISSISSIPPI
SCHEDULE OF PURCHASES MADE NON-COMPETITIVELY FROM A SOLE SOURCE
For the Year Ended September 30, 2004

Our test did not identify any purchases made non-competitively from a sole source.



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**LIMITED INTERNAL CONTROL AND COMPLIANCE
REVIEW MANAGEMENT REPORT**

Members of the Board of Supervisors
Monroe County, Mississippi

In planning and performing our audit of the financial statements of Monroe County, Mississippi, for the year ended September 30, 2004, we considered Monroe 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 Monroe County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated February 9, 2006, on the financial statements of Monroe County, Mississippi.

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.

Franks, Franks & Jarrell, P.A.

FRANKS, FRANKS & JARRELL, P.A.
February 9, 2006

MONROE COUNTY, MISSISSIPPI
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: Qualified
2. Material noncompliance relating to the primary government financial statements? No
3. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes
 - b. Reportable conditions identified that are not considered to be material weaknesses? No

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: Unqualified
5. Internal control over major programs:
 - a. Material weaknesses 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 major programs:
 - a. Applachian Regional Commission – TVA Section 214 Grant
 - b. U.S. Dept. of Transportation – Federal Aviation Adm. Airport Improvement Program
8. The dollar threshold used to distinguish between type A and type B programs: \$300,000
9. Auditee qualified as a low-risk auditee? No
10. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section _____.315(b) of OMB Circular A-133? No

**MONROE COUNTY, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2004**

Section 2: Financial Statement Finding

Finding

Judges may allow defendants to pay assessments, court costs, and finds on a partial payment basis (Section 99-19-20, Mississippi Code Ann. (1972)). An accounts receivable system must be maintained for all amounts due to court where partial payments are accepted. The Justice Court does not have adequate accounts receivable aging information available.

Recommendation

The Justice Court should establish and maintain an adequate accounts receivable aging system.

Response

An accounts receivable aging system will be implemented.

Section 3: Federal Award Findings and Questioned Costs

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