



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.



**NEWTON COUNTY, MISSISSIPPI**  
**AUDITED FINANCIAL STATEMENTS AND SPECIAL REPORTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

## NEWTON COUNTY

### TABLE OF CONTENTS

FINANCIAL SECTION	1
INDEPENDENT AUDITOR'S REPORT	2
FINANCIAL STATEMENTS	5
Statement of Net Assets	6
Statement of Activities	7
Balance Sheet – Governmental Funds	8
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	9
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Statement of Net Assets – Proprietary Fund	12
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund	13
Statement of Cash Flows – Proprietary Fund	14
Statement of Fiduciary Assets and Liabilities	15
Notes to Financial Statements	16
REQUIRED SUPPLEMENTARY INFORMATION	33
Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis)	
General Fund	34
Beat 2 Road Maintenance Fund	35
Beat 3 Road Maintenance Fund	36
Notes to the Required Supplementary Information	37
SPECIAL REPORTS	39
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	40
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))	42
SCHEDULE OF FINDINGS	46
LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT	48

**NEWTON COUNTY**

**FINANCIAL SECTION**



**Watkins, Ward and Stafford**  
Professional Limited Liability Company  
Certified Public Accountants

James L. Stafford, CPA  
Harry W. Stevens, CPA  
Boyd M. Edwards, CPA  
Paul A. Ray, CPA  
S. Keith Winfield, CPA  
William B. Staggers, CPA  
Aubrey R. Holder, CPA  
David M. Howell, CPA  
Michael W. McCully, CPA  
Mort Stroud, CPA  
Gary C. Hamilton, CPA

R. Steve Sinclair, CPA  
Michael L. Pierce, CPA  
Marsha L. McDonald, CPA  
Wanda S. Holley, CPA  
Robin Y. McCormick, CPA/PFS  
J. Randy Scribner, CPA  
Kimberly S. Caskey, CPA  
Susan M. Lummus, CPA  
Thomas J. Browder, CPA  
Stephen D. Flake, CPA  
John N. Russell, CPA

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

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

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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2005, on our consideration of Newton County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

The Budgetary Comparison Schedules and corresponding notes on pages 34 through 38 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Watkins, Ward and Stafford, PLLC  
August 8, 2005

*Watkins, Ward and Stafford, PLLC*

**NEWTON COUNTY**

**(This page left blank intentionally)**



**NEWTON COUNTY**

**FINANCIAL STATEMENTS**

**NEWTON COUNTY**  
**Statement of Net Assets**  
**September 30, 2004**

**Exhibit 1**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash	\$ 3,015,682	231,231	3,246,913
Property tax receivable	3,172,062		3,172,062
Accounts receivable (net of allowance for uncollectibles of \$157,498)		115,141	115,141
Fines receivable (net of allowance for uncollectibles of \$827,440)	42,193		42,193
Intergovernmental receivables	92,888		92,888
Other receivables	425	57,726	58,151
Internal balances	8,596	( 8,596 )	
Capital assets, net	7,443,265	361,263	7,804,528
<b>Total Assets</b>	<b>13,775,111</b>	<b>756,765</b>	<b>14,531,876</b>
<b>LIABILITIES</b>			
Claims payable	285,432	31,226	316,658
Intergovernmental payables	297,927		297,927
Deferred revenue	3,172,062		3,172,062
Other payables	8,363		8,363
Long-term liabilities			
Due within one year:			
Capital related debt	559,092	50,892	609,984
Non-capital debt	300,000		300,000
Due in more than one year:			
Capital related debt	4,482,721	26,053	4,508,774
Non-capital debt	43,505	3,680	47,185
<b>Total Liabilities</b>	<b>9,149,102</b>	<b>111,851</b>	<b>9,260,953</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,401,452	284,318	2,685,770
Restricted:			
Expendable:			
General government	196,300		196,300
Debt service	136,941		136,941
Public safety	84,889		84,889
Public works	1,687,276		1,687,276
Health and welfare	15,992		15,992
Economic development	18,365		18,365
Other purposes	30,084		30,084
Unrestricted	54,710	360,596	415,306
<b>Total Net Assets</b>	<b>\$ 4,626,009</b>	<b>644,914</b>	<b>5,270,923</b>

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

Newton County  
Statement of Activities  
For the Year Ended September 30, 2004

Exhibit 2

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Charges	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
<b>GOVERNMENTAL ACTIVITIES:</b>						
General Government	\$ 2,293,084	453,852	1,363		(1,837,869)	(1,837,869)
Public Safety	1,783,995	293,452	151,140	100,934	(1,238,469)	(1,238,469)
Public Works	2,408,863		639,286	132,620	(1,636,957)	(1,636,957)
Health and Welfare	120,502		39,098		(81,404)	(81,404)
Culture and Recreation	81,013				(81,013)	(81,013)
Conservation of Natural Resources	159,767				(159,767)	(159,767)
Economic Development & Assistance	76,217	3,571		30,853	(41,793)	(41,793)
Interest on Long-Term Debt	186,956				(186,956)	(186,956)
Total Governmental Activities	7,110,397	750,875	830,887	264,407	(5,264,228)	(5,264,228)
<b>Business-type activities</b>						
Solid waste	558,754	462,134	2,106		(94,514)	(94,514)
TOTAL	\$ 7,669,151	1,213,009	832,993	264,407	(5,264,228)	(5,358,742)
<b>General Revenues:</b>						
Property taxes					\$ 4,079,074	4,079,074
Road and bridge privilege taxes					226,947	226,947
Grants and contributions not restricted to specific programs					347,060	4,385
Unrestricted investment income					20,339	1,596
Miscellaneous					309,700	309,700
Total General Revenues					4,983,120	5,981
Changes in Net Assets					(281,108)	(369,641)
Net Assets - Beginning					4,907,117	733,447
Net Assets - Ending					\$ 4,626,009	5,640,564
						5,270,923

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

Newton County  
Balance Sheet - Governmental Funds  
September 30, 2004

Exhibit 3

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Beat 2 Road Maintenance Fund	Beat 3 Road Maintenance Fund			
<b>ASSETS</b>						
Cash	\$ 943,109					
Property tax receivable	2,069,345	702,015	284,863	1,085,895	3,015,882	
Fines receivable (net of allowance for uncollectibles of \$827,440)		125,000	150,000	827,717	3,172,062	
Intergovernmental receivables	42,193				0	
Other receivables	92,888				42,193	
Due from other funds	425				92,888	
Advances to other funds	8,596	8,735	10,546	95,513	123,390	
Total Assets	\$ 3,156,556	835,750	445,209	2,039,209	30,084	6,476,724
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Claims payable	\$ 208,332		11,416	52,904	285,432	
Intergovernmental payables	290,452	12,780			290,452	
Due to other funds	64,269			58,000	122,269	
Advances from other funds				30,084	30,084	
Deferred revenue	2,111,538	125,000	150,000	827,717	3,214,255	
Other payables	8,363				8,363	
Total Liabilities	2,682,954	137,780	161,416	968,705	3,950,855	
<b>Fund balances:</b>						
Reserved for:						
Advances				30,084	30,084	
Debt service				136,941	136,941	
Unreserved, reported in:						
General fund	473,602	697,970	283,793	900,550	473,602	
Special revenue funds				2,929	1,882,313	
Capital project funds		697,970	283,793	1,070,504	2,929	
Total Fund Balances	473,602	835,750	445,209	2,039,209	2,525,869	
Total Liabilities and Fund Balances	\$ 3,156,556				6,476,724	

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

Exhibit 3-1

**NEWTON COUNTY**

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

**September 30, 2004**

	<u>Amount</u>
Total Fund Balance – Governmental Funds	\$ 2,525,869
Amounts reported for governmental services in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds net of accumulated depreciation of \$4,288,323.	7,443,265
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	42,193
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	<u>( 5,385,318 )</u>
Total Net Assets – Governmental Activities	\$ <u>4,626,009</u>

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

NEWTON COUNTY

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

Exhibit 4

	Major Funds				
	General Fund	Beat 2 Road Maintenance Fund	Beat 3 Road Maintenance Funds	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 2,481,311	191,494	231,203	1,175,066	4,079,074
Road and bridge privilege taxes		51,222	61,843	113,882	226,947
Licenses, commissions and other revenue	166,444			10,554	176,998
Fines and forfeitures	249,937				249,937
Intergovernmental revenues	647,227	122,541	210,763	462,323	1,442,854
Charges for services	83,181			198,566	281,747
Interest income	7,403	4,308	1,608	7,020	20,339
Miscellaneous revenues	154,380	605	6,000	6,275	167,260
Total Revenues	<u>3,789,883</u>	<u>370,170</u>	<u>511,417</u>	<u>1,973,686</u>	<u>6,645,156</u>
<b>EXPENDITURES</b>					
Current:					
General government	2,228,743			1,906	2,230,649
Public safety	1,608,982			419,643	2,028,625
Public works	120	428,517	1,031,997	2,856,497	4,317,131
Health and welfare	120,502				120,502
Culture and recreation	77,392			3,621	81,013
Conservation of natural resources	159,767				159,767
Economic development and assistance	47,390			28,827	76,217
Debt service:					
Principal	102,535	15,230	96,531	383,767	598,063
Interest	9,357	7,629	9,588	160,382	186,956
Total Expenditures	<u>4,354,788</u>	<u>451,376</u>	<u>1,138,116</u>	<u>3,854,643</u>	<u>9,798,923</u>
Excess of Revenues over (under) Expenditures	<u>(564,905)</u>	<u>(81,206)</u>	<u>(626,699)</u>	<u>(1,880,957)</u>	<u>(3,153,767)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-term capital debt issued	260,841	59,425	524,964	1,403,004	2,248,234
Long-term non-capital debt issued	300,000				300,000
Proceeds from sale of capital assets	2,598	27,090	122,219		151,907
Other Uses				(2,874)	(2,874)
Transfers in	89,829				89,829
Transfers out				(89,829)	(89,829)
Total Other Financing Sources and Uses	<u>653,268</u>	<u>86,515</u>	<u>647,183</u>	<u>1,310,301</u>	<u>2,697,267</u>
Net Changes in Fund Balances	<u>88,363</u>	<u>5,309</u>	<u>20,484</u>	<u>(570,656)</u>	<u>(456,500)</u>
Fund Balance - Beginning	<u>385,239</u>	<u>692,661</u>	<u>263,309</u>	<u>1,641,160</u>	<u>2,982,369</u>
Fund Balances - Ending	<u>\$ 473,602</u>	<u>697,970</u>	<u>283,793</u>	<u>1,070,504</u>	<u>2,525,869</u>

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

**NEWTON COUNTY****Exhibit 4-1****Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2004**

	<u>Amount</u>
Net Changes in Fund Balances – Governmental Funds	\$ ( 456,500 )

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

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$2,850,946 exceeded depreciation of \$749,515 in the current period.

2,101,431

In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources and loss from the sale of capital assets decreases financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the gain of \$116,807 and the proceeds from the sale of \$151,907 in the current period.

35,100

Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the statement of assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$598,063 exceeded debt proceeds of \$2,548,234.

( 1,950,171 )

Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by the amount of increase in compensated absences.

( 10,968 )

Change in Net Assets of Governmental Activities	\$ ( 281,108 )
---	----------------

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

**NEWTON COUNTY**  
**Statement of Net Assets – Proprietary Fund**  
**September 30, 2004**

**Exhibit 5**

	Business-type Activities Enterprise Fund Solid Waste Fund
<b>ASSETS</b>	
Current assets:	
Cash	\$ 231,231
Accounts receivable (net of allowance for uncollectibles of \$157,498)	115,141
Other receivables	57,726
Total Current Assets	404,098
Noncurrent assets:	
Capital assets, net	361,263
Total Noncurrent Assets	361,263
Total Assets	765,361
<b>LIABILITIES</b>	
Current liabilities:	
Claims payable	31,226
Due to other funds	8,596
Current portions of long-term capital-related debt:	
Capital leases payable	50,892
Total Current Liabilities	90,714
Noncurrent liabilities:	
Capital-related debt:	
Capital leases payable	26,053
Non-capital debt:	
Compensated absences payable	3,680
Total Noncurrent Liabilities	29,733
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	284,318
Unrestricted	360,596
Total Net Assets	\$ 644,914

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



**NEWTON COUNTY**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets -**  
**Proprietary Fund**  
**September 30, 2004**

**Exhibit 6**

	Business-type Activities Enterprise Fund
	Solid Waste Fund
Operating Revenues	
Charges for services	\$ 462,134
Miscellaneous	2,106
Total Operating Revenues	464,240
Operating Expenses	
Personal services	251,836
Contractual services	150,331
Materials and supplies	76,603
Depreciation expense	68,118
Indirect administrative cost	8,596
Total Operating Expenses	555,484
Operating Income (Loss)	( 91,244 )
Nonoperating Revenues (Expenses)	
Interest income	1,596
Operating grants	4,385
Interest expense	( 3,270 )
Net Nonoperating Revenue (Expenses)	2,711
Net Income (Loss)	( 88,533 )
Changes in Net Assets	( 88,533 )
Net Assets – Beginning	733,447
Net Assets – Ending	\$ 644,914

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

**NEWTON COUNTY****Statement of Cash Flows – Proprietary Fund  
For the Year Ended September 30, 2004****Exhibit 7**

	Business-type Activities Enterprise Fund Solid Waste Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 556,632
Payments to suppliers	( 210,200 )
Payments to employees	( 252,177 )
Payments to General Fund for indirect costs	( 5,156 )
Other operating cash receipts	2,106
Net Cash Provided (Used) by Operating Activities	91,205
Cash Flows From Noncapital Financing Activities	
Operating grants received	4,385
Net Cash Provided (Used) by Noncapital Financing Activities	4,385
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	( 66,000 )
Principal paid on long-term debt	( 49,315 )
Interest paid on debt	( 3,270 )
Net Cash Provided (Used) by Capital and Related Financing Activities	( 118,585 )
Cash Flows From Investing Activities	
Interest on investments	1,596
Net Cash Provided (Used) by Investing Activities	1,596
Net Increase (Decrease) in Cash and Cash Equivalents	( 21,399 )
Cash and Cash Equivalents at Beginning of Year	252,630
Cash and Cash Equivalents at End of Year	\$ 231,231
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ ( 91,244 )
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	68,118
Provision for uncollectible accounts	105,088
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	( 10,590 )
Increase (decrease) in claims payable	16,734
Increase (decrease) in compensated absences liability	( 341 )
Increase (decrease) in interfund payables	3,440
Total Adjustments	182,449
Net Cash Provided (Used) by Operating Activities	\$ 91,205

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

**NEWTON COUNTY**  
**Statement of Fiduciary Assets and Liabilities**  
**For the Year Ended September 30, 2004**

**Exhibit 8**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 31,181
Due from other funds	<u>7,475</u>
Total Assets	\$ <u>38,656</u>
<b>LIABILITIES</b>	
Intergovernmental payables	\$ <u>38,656</u>
Total Liabilities	\$ <u>38,656</u>

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

## NEWTON COUNTY

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

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

##### A. Financial Reporting Entity.

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

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

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

##### B. Basis of Presentation.

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

##### Government-wide Financial Statements:

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

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

## NEWTON COUNTY

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

governmental function is self-financing or draws from the general revenues of the county.

#### Fund Financial Statements:

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

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

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

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

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

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

## NEWTON COUNTY

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

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.

**Beat 2 Road Maintenance Fund** – Accounts for monies from specific revenue sources restricted for road maintenance.

**Beat 3 Road Maintenance Fund** – Accounts for monies from specific revenue sources restricted for road maintenance.

The county reports the following major Proprietary Fund:

**Solid Waste Fund** – Accounts for activities related to the disposal of solid waste within the county.

Additionally, the county reports the following fund types:

#### GOVERNMENTAL FUND TYPES

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

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

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

#### PROPRIETARY FUND TYPE

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

#### FIDUCIARY FUND TYPE

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

#### D. Account Classifications.

The account classifications used in the financial statements conform to the board classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2001 by the Government Finance Officers

## NEWTON COUNTY

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

Association and the *Mississippi County Financial Accounting Manual* as revised in 2002 by the Office of the State Auditor.

E. Deposits and Investments.

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

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

F. Receivables.

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

G. Interfund Transactions and Balances.

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

H. Capital Assets.

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

## NEWTON COUNTY

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

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. Newton County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

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

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.

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

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

#### I. Long-term liabilities.

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

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

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.



## NEWTON COUNTY

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

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### J. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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

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

#### K. Property Tax Revenues.

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

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

## NEWTON COUNTY

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

collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

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

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

#### M. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds financial statements. In fund financial statements, Government 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 \$43,505 for accumulated unpaid personal leave up to a maximum of 30 days per employee payable from the Governmental Funds is reported as a liability in the Statement of Net Assets.

#### 2. Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2004, was \$3,278,094, and the bank balance was \$3,335,965. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

# **NEWTON COUNTY**

## **Notes to Financial Statements For the Year Ended September 30, 2004**

### 3. Interfund Transactions and Balances.

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

#### A. Due From/To Other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Solid waste	\$ 8,596
Beat 2 road maintenance	General	8,735
Beat 3 road maintenance	General	10,546
Agency funds	General	7,475
Other Governmental Funds	General	37,513
Other Governmental Funds	Other Governmental Funds	<u>58,000</u>
Total		\$ <u>130,865</u>

The General Fund receivable is the amount of indirect costs due to solid waste operations. The Other Governmental Funds payable was to provide funds for the purchase of equipment. All other amounts are the tax revenue collected but not settled until October, 2004. All interfund balances are expected to be repaid within one year from the date of the financial statements.

#### B. Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	Other Governmental Funds	\$ <u>30,084</u>
Total		\$ <u>30,084</u>

The purpose of the advances was to provide funds for bond payments.

#### C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ <u>89,829</u>
Total		\$ <u>89,829</u>

The purpose of the interfund transfers was to provide funds for administrative services. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

### 4. Intergovernmental Receivables.

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

<u>Description</u>	<u>Amount</u>
Legislative tag credit	\$ <u>92,888</u>

## NEWTON COUNTY

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

5. Other Receivable.

The other receivable of \$57,726 in the Proprietary Fund Type is funds due to the Solid Waste Enterprise Fund from the Sprint Auction Company. The county sold garbage trucks through an auction operated by the company and did not receive payment from the sale before the company filed bankruptcy. There is a court decision pending related to the county's collection of these funds.

# NEWTON COUNTY

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

### 6. Capital Assets.

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

#### Governmental activities:

	Balance October 1, 2003	Additions	Deletions	Adjustments	Balance Sept. 30, 2004
<u>Non-depreciable capital assets:</u>					
Land	\$ 259,303	47,500			306,803
Construction in progress	2,600,889	-	-	( 2,600,889 )	-
Total non-depreciable capital assets	2,860,192	47,500	-	( 2,600,889 )	306,803
<u>Depreciable capital assets:</u>					
Infrastructure	78,576	184,659			263,235
Buildings	2,151,138			2,600,889	4,752,027
Mobile equipment	2,334,805	139,214	57,618	212,921	2,629,322
Furniture and equipment	159,858	138,481			298,339
Leased property under capital leases	1,955,227	2,341,092	339,785	( 896,421 )	3,060,113
Total depreciable capital assets	6,679,604	2,803,446	397,403	1,917,389	11,003,036
<u>Less accumulated depreciation for:</u>					
Infrastructure	2,097	5,420			7,517
Buildings	1,270,732	84,482			1,355,214
Mobile equipment	1,440,980	229,733	28,991	31,365	1,673,087
Furniture and equipment	110,116	34,429			144,545
Leased property under capital leases	828,269	395,451	-	( 537,509 )	686,211
Total accumulated depreciation	3,652,194	749,515	28,991	( 506,144 )	3,866,574
Total depreciable capital assets, net	3,027,410	2,053,931	368,412	2,423,533	7,136,462
Governmental activities capital assets, net	\$ 5,887,602	2,101,431	368,412	( 177,356 )	7,443,265

#### Business-type activities:

<u>Non-depreciable capital assets:</u>					
Land	-	66,000	-	-	66,000
Total non-depreciable capital assets	-	66,000	-	-	66,000
<u>Depreciable capital assets:</u>					
Mobile equipment	226,847				226,847
Furniture and equipment	138,425				138,425
Leased property under capital leases	238,404	-	-	-	238,404
Total depreciable capital assets	603,676	-	-	-	603,676
<u>Less accumulated depreciation for:</u>					
Mobile equipment	58,146	26,081			84,227
Furniture and equipment	73,094	5,685			78,779
Leased property under capital leases	109,055	36,352	-	-	145,407
Total accumulated depreciation	240,295	68,118	-	-	308,413
Total depreciable capital assets, net	363,381	( 68,118 )	-	-	295,263
Business-type activities capital assets, net	\$ 363,381	( 2,118 )	-	-	361,263

# NEWTON COUNTY

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

Depreciation expenses was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 65,699
Public safety	150,121
Public works	<u>533,695</u>
Total governmental activities depreciation expense	\$ <u>749,515</u>
Business-type activities:	
Solid waste	\$ <u>68,118</u>

### 7. Claims and Judgments.

#### Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$500,000 for law enforcement personnel and \$350,000 for all other employees for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2004, to January 1, 2005. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

### 8. Capital Leases.

#### As Lessee:

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

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Mobile equipment	\$ 2,745,053	238,404
Other furniture and equipment	<u>315,060</u>	<u>-</u>
Total	3,060,113	238,404
Less: Accumulated depreciation	<u>686,211</u>	<u>145,407</u>
Leased Property Under Capital Leases	\$ <u>2,373,902</u>	<u>92,997</u>

# **NEWTON COUNTY**

## **Notes to Financial Statements For the Year Ended September 30, 2004**

<u>Year Ending September 30</u>		<u>Governmental Activities</u>		<u>Business-type Activities</u>	
		<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$	439,092	69,113	50,892	1,693
2006		340,580	56,037	26,053	239
2007		342,448	45,902		
2008		348,959	37,053		
2009		<u>1,000,734</u>	<u>17,593</u>	<u>-</u>	<u>-</u>
Total	\$	<u>2,471,813</u>	<u>225,698</u>	<u>76,945</u>	<u>1,932</u>

### 9. Short-term Debt and Liquidity

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

<u>Description of Debt</u>	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
	<u>Oct. 1, 2003</u>			<u>Sept. 30, 2004</u>
Other Loans				
Tax Anticipation Note	<u>-</u>	<u>300,000</u>	<u>-</u>	<u>300,000</u>

During the month of August 2004, the county issued \$300,000 of tax anticipation notes in order to alleviate a temporary cash flow deficiency.

# NEWTON COUNTY

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

### 10. Long-term Debt.

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

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
Beat 5 road & bridge bonds	\$ 95,000	7.5 to 10%	9/10
Beat 4 road & bridge bonds	135,000	5.4 to 5.625%	9/10
Jail construction bonds	2,340,000	4 to 5.7 %	10/21
Total General Obligation Bonds	\$ 2,570,000		
B. Capital Leases:			
Computer System	\$ 43,511	3.15%	11/06
2002 Crown Victoria	2,146	3.15%	12/04
2002 Crown Victoria	1,840	3.15%	12/04
2002 Dodge 1500	13,108	3.15%	5/07
2003 Dodge Durango	9,447	3.15%	1/06
2003 Crown Victoria	9,293	3.15%	2/06
911 Equipment	182,047	3.07%	10/08
2 – 2004 Crown Victorias	33,289	3.04%	2/07
Dist. 4 Palmer Trailer	2,456	3.15%	4/05
Dist. 2 Dump Truck	37,064	3.15%	6/05
Dist. 4 Dump Truck	30,828	3.15%	8/05
Dist. 2 & 4 Pothole Patcher	14,565	3.15%	9/05
Dist. 4 John Deere Tractor	21,255	3.15%	7/05
Dist. 3 Backhoe Loader	30,940	3.15%	11/05
Dist. 5 Tractor	14,412	3.15%	5/06
Dist. 4 Ford Tractor	4,803	3.15%	9/05
Dist. 1 Mack Truck	42,761	3.15%	10/06
Dist. 3 Mack Truck	59,526	3.15%	5/08
Dist. 2 2004 Cat 12h Motor Grader	156,902	2.94%	9/08
Dist. 1 2003 Cat Motor Grader	146,643	3.07%	11/08
Dist. 3 2004 Chevy 1500	19,591	3.17%	3/09
Dist. 3 2004 Cat 12h Motor Grader	154,926	2.95%	7/09
Dist. 3 2004 Cat 12h Motor Grader	154,926	2.95%	7/09
Dist. 3 320 Excavator	131,002	2.95%	7/09
Dist. 3 416d Rubber Tire Backhoe	53,098	2.95%	8/09
Dist. 4 2004 Cat 320cl Excavator	130,722	2.95%	7/09
Dist. 4 2004 Cat 12h Motor Grader	154,926	2.95%	7/09
Dist. 4 2004 Cat 416d Backhoe	53,098	2.95%	8/09
Dist. 4 2004 Chevy 1500	19,591	3.17%	3/09
Dist. 4 Alamo Machete Boom & Mower	32,029	3.15%	7/09
Dist. 4 2004 Cat 12h Motor Grader	154,926	2.95%	7/09
Dist. 5 2005 Mack cv713 Dump Truck	82,984	3.04%	9/09



# **NEWTON COUNTY**

## **Notes to Financial Statements For the Year Ended September 30, 2004**

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Dist. 5 Two 2003 Cat 12h Motor Graders	293,287	3.07%	11/08
Dist. 5 2003 Cat 320 Excavator	116,896	2.94%	11/06
Dist 2 2000 Cat 12h Motor Grader	<u>62,975</u>	3.15%	7/09
Total Capital Leases	<u>2,471,813</u>		
Business-type Activities:			
Capital Lease:			
Garbage trucks/trailer	<u>76,945</u>	3.15%	3/6

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

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 120,000	119,495
2006	125,000	112,284
2007	135,000	104,801
2008	145,000	96,663
2009	145,000	88,213
2010-2014	620,000	343,800
2015-2019	745,000	201,518
2020-2024	<u>535,000</u>	<u>35,763</u>
Total	\$ <u>2,570,000</u>	<u>1,102,537</u>

Legal Debt Margin – The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2004, the amount of outstanding debt was equal to 2.7% of the latest property assessments.

# **NEWTON COUNTY**

## **Notes to Financial Statements For the Year Ended September 30, 2004**

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

	Balance Oct. 1, 2003	Additions	Reductions	Adjustments	Balance Sept. 30, 2004	Amount due Within one Year
<b>Governmental Activities:</b>						
Compensated absences	\$ 32,537	10,968			43,505	
General obligated bonds	2,685,000		115,000		2,570,000	120,000
Capital leases	1,331,303	2,248,234	483,063	( 624,661 )	2,471,813	439,092
Other loans	-	300,000	-	-	300,000	300,000
<b>Total</b>	<b>\$ 4,048,840</b>	<b>2,559,202</b>	<b>598,063</b>	<b>( 624,661 )</b>	<b>5,385,318</b>	<b>859,092</b>
<b>Business-type Activities:</b>						
Compensated absences	\$ 4,021		341		3,680	
Capital leases	126,260	-	49,315	-	76,945	50,892
<b>Total</b>	<b>\$ 130,281</b>	<b>-</b>	<b>49,656</b>	<b>-</b>	<b>80,625</b>	<b>50,892</b>

Adjustment is to remove long-term liability for capital leases cancelled by the county.

### **11. Contingencies:**

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

Open Investigation – It came to our attention that there is an open investigation by the Investigative Division of the State Audit Department relating to the past District Four Supervisor whose term ended January 2004. This investigation is still open at the date of this report, August 9, 2005.

Litigation – The county is part 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 except as noted as follows. The county is involved in litigation styled Southland Enterprises, Inc., v Newton County, Mississippi. This case is currently being appealed to the Mississippi Supreme Court. The county's exposure should not be greater than \$94,800.98 if the appeal is not favorable.

## NEWTON COUNTY

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

12. Joint Venture.

The county participates in the following joint venture:

Newton County is a participant with Kemper County in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Kemper-Newton Regional Library System. The joint venture was created to provide free public library service to the citizens of the respective counties. The Newton County Board of Supervisors alternately appoints two or three of the five members of the board of directors. By contractual agreement, the county's appropriation to the joint venture was \$71,300 in fiscal year 2004. Complete financial statements for the Kemper-Newton Regional Library System can be obtained from 101 Peachtree Street, Union, MS 39365.

13. Joint Governed Organizations.

The county participates in the following jointly governed organizations:

Mid-Mississippi Development District operates in a district composed of the Counties of Clarke, Jasper, Lauderdale, Newton, Scott and Smith. The district was organized to foster, encourage and facilitate economic development in the member counties. The district's board of trustees is composed of 30 members, five each from the six-member counties. The county appropriated \$26,875 for support of the district in fiscal year 2004.

East Central Mississippi Planning and Development District operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Newton County Board of Supervisors appoints one of the 15 members of the board of directors. The county appropriated \$15,391 for support of the district in fiscal year 2004.

Region Ten Mental Health-Mental Retardation Commission operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Newton County Board of Supervisors appoints one of the nine members of the board of commissioners. The county appropriated \$29,500 for support of the commission in fiscal year 2004.

The Multi-County Community Service Agency operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Newton and Wayne. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Newton County Board of Supervisors appoints one of the 24 members of the board of directors. Most of the funding for the entity is derived from federal funds. Each county provides a modest amount of financial support when matching funds are required for federal grants.

East Central Community College operates in a district composed of the Counties of Leake, Neshoba, Newton, Scott and Winston. The Newton County Board of Supervisors appoint one of the 30 members of the college board of trustees. The county appropriated \$316,288 for maintenance and support of the college in fiscal year 2004.

## NEWTON COUNTY

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

#### 14. Defined Benefit Pension Plan.

Plan Description. Newton 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 \$212,907, \$197,517, and \$188,667, respectively, equal to the required contributions for each year.

**NEWTON COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION**

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 2,354,249	2,479,656	2,479,656	
Licenses, commissions and other revenue	187,100	164,993	164,993	
Fines and forfeitures	310,316	253,591	253,591	
Intergovernmental revenues	949,646	1,065,327	1,067,272	1,945
Charges for services		14,872	14,872	
Interest income	11,950	7,370	7,370	
Miscellaneous revenues	140,339	159,429	159,429	
Total Revenues	<u>3,953,600</u>	<u>4,145,238</u>	<u>4,147,183</u>	<u>1,945</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,156,657	2,312,318	2,314,040	( 1,722 )
Public safety	1,518,522	1,387,621	1,388,366	( 745 )
Public works		120	120	
Health and welfare	111,645	109,450	109,450	
Culture and recreation	71,300	71,300	71,300	
Education	260,080	274,012	274,012	
Conservation of natural resources	149,093	154,294	154,294	
Economic development and assistance	41,403	42,531	42,531	
Debt service:				
Principal	112,342	99,270	99,270	
Interest	5,131	9,357	9,357	
Other expenditures	1,000			
Total Expenditures	<u>4,427,173</u>	<u>4,460,273</u>	<u>4,462,740</u>	<u>( 2,467 )</u>
Excess of Revenues over (under) Expenditures	<u>( 473,573 )</u>	<u>( 315,035 )</u>	<u>( 315,557 )</u>	<u>( 522 )</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	706,036	180,629	180,629	
Transfers out	( 30,801 )	( 96,068 )	( 96,068 )	
Total Financing Sources and Uses	<u>675,235</u>	<u>84,561</u>	<u>84,561</u>	<u>0</u>
Net Change in Fund Balance	201,662	( 230,474 )	( 230,996 )	( 522 )
Fund Balances – Beginning	<u>458,186</u>	<u>458,186</u>	<u>458,186</u>	
Fund Balances – Ending	\$ <u>659,848</u>	<u>227,712</u>	<u>227,190</u>	<u>( 522 )</u>

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

**NEWTON COUNTY**  
**Budgetary Comparison Schedule-**  
**Budget and Actual (Non-GAAP Basis)**  
**Major special revenue fund District 2 Road Maintenance Fund**  
**For the Year Ended September 30, 2004**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 178,000	191,477	191,477	
Road and bridge privilege taxes	45,000	51,218	51,218	
Intergovernmental revenues	114,100	122,541	122,541	
Interest income	400	4,089	4,089	
Miscellaneous revenues	600	115,585	115,585	
Total Revenues	<u>338,100</u>	<u>484,910</u>	<u>484,910</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Public works	946,873	314,968	314,968	
Debt service:				
Principal	30,000	189,635	189,635	
Interest	19,000	7,629	7,629	
Total Expenditures	<u>995,873</u>	<u>512,232</u>	<u>512,232</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(657,773 )</u>	<u>( 27,322 )</u>	<u>( 27,322 )</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	500	27,090	27,090	
Total Other Financing Sources & Uses	<u>500</u>	<u>27,090</u>	<u>27,090</u>	<u>0</u>
Net Change in Fund Balance	<u>(657,273 )</u>	<u>( 232 )</u>	<u>( 232 )</u>	
Fund Balances – Beginning	<u>657,273</u>	<u>702,028</u>	<u>702,028</u>	
Fund Balances – Ending	<u>\$ 0</u>	<u>701,796</u>	<u>701,796</u>	<u>0</u>

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

**NEWTON COUNTY**  
**Budgetary Comparison Schedule-**  
**Budget and Actual (Non-GAAP Basis)**  
**Major special revenue fund – District 3 Road Maintenance Fund**  
**For the Year Ended September 30, 2004**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 218,000	231,182	231,182	
Road and bridge privilege taxes	59,000	61,839	61,839	
Intergovernmental revenues	143,396	146,813	146,757	( 56 )
Interest income	1,000	1,608	1,608	
Miscellaneous revenues	122,000	98,506	98,506	
Total Revenues	<u>543,396</u>	<u>539,948</u>	<u>539,892</u>	<u>( 56 )</u>
<b>EXPENDITURES</b>				
Current:				
Public works	708,856	570,003	570,003	
Debt service:				
Principal	95,130	287,494	287,494	
Interest	12,000	9,588	9,588	
Total Expenditures	<u>815,986</u>	<u>867,085</u>	<u>867,085</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>( 272,590 )</u>	<u>( 327,137 )</u>	<u>( 327,193 )</u>	<u>( 56 )</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets		284,682	284,682	
Total Other Financing Sources & Uses	<u>0</u>	<u>284,682</u>	<u>284,682</u>	<u>0</u>
Net Change in Fund Balance	<u>( 272,590 )</u>	<u>( 42,455 )</u>	<u>( 42,511 )</u>	<u>( 56 )</u>
Fund Balances – Beginning	<u>272,590</u>	<u>327,174</u>	<u>327,174</u>	
Fund Balances – Ending	<u>\$ 0</u>	<u>284,719</u>	<u>284,663</u>	<u>( 56 )</u>

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



## NEWTON COUNTY

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

#### Notes to the Required Supplementary Information.

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

##### C. Budget/GAAP Reconciliation.

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

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

# **NEWTON COUNTY**

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

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

	Governmental Fund Types		
	General Fund	Beat 2 Road Maintenance Fund	Beat 3 Road Maintenance Fund
Budget (Cash Basis)	\$ ( 230,996 )	( 232 )	( 42,511 )
Increase (Decrease)			
Net adjustments for revenue accruals	126,744	227	25
Net adjustments for expenditure accruals	<u>192,615</u>	<u>5,314</u>	<u>62,970</u>
GAAP Basis	\$ <u>88,363</u>	<u>5,309</u>	<u>20,484</u>

**NEWTON COUNTY**

**SPECIAL REPORTS**



**Watkins, Ward and Stafford**  
Professional Limited Liability Company  
Certified Public Accountants

James L. Stafford, CPA  
Harry W. Stevens, CPA  
Boyd M. Edwards, CPA  
Paul A. Ray, CPA  
S. Keith Winfield, CPA  
William B. Slaggers, CPA  
Aubrey R. Holder, CPA  
David M. Howell, CPA  
Michael W. McCully, CPA  
Mort Stroud, CPA  
Gary C. Hamilton, CPA

R. Steve Sinclair, CPA  
Michael L. Pierce, CPA  
Marsha L. McDonald, CPA  
Wanda S. Holley, CPA  
Robin Y. McCormick, CPA/PFS  
J. Randy Scrivner, CPA  
Kimberly S. Caskey, CPA  
Susan M. Lunmus, CPA  
Thomas J. Browder, CPA  
Stephen D. Flake, CPA  
John N. Russell, CPA

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

Members of the Board of Supervisors  
Newton 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 Newton County, Mississippi, as of and for the year ended September 30, 2004, and have issued our report thereon dated August 8, 2005. 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 Newton 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 an opinion 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 Newton County, Mississippi's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and responses as item 04-1.

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Newton County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of noncompliance that we have reported to the management of Newton County, Mississippi, in Limited Internal Control and Compliance and Review Management Report and the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules dated August 8, 2005, included within this document.

This part 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.

Watkins, Ward and Stafford, PLLC  
Philadelphia, Mississippi  
August 8, 2005

*Watkins, Ward and Stafford, PLLC*



**Watkins, Ward and Stafford**  
Professional Limited Liability Company  
Certified Public Accountants

James L. Stafford, CPA  
Harry W. Stevens, CPA  
Boyd M. Edwards, CPA  
Paul A. Ray, CPA  
S. Keith Winfield, CPA  
William B. Slaggers, CPA  
Aubrey R. Holder, CPA  
David M. Howell, CPA  
Michael W. McCully, CPA  
Mort Stroud, CPA  
Gary C. Hamilton, CPA

R. Steve Sinclair, CPA  
Michael L. Pierce, CPA  
Marsha L. McDonald, CPA  
Wanda S. Holley, CPA  
Robin Y. McCormick, CPA/PFS  
J. Randy Scrivner, CPA  
Kimberly S. Caskey, CPA  
Susan M. Lummus, CPA  
Thomas J. Browder, CPA  
Stephen D. Flake, CPA  
John N. Russell, CPA

**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  
Newton County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Newton 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 Newton 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 Newton 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, Newton 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 Newton County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Watkins, Ward and Stafford, PLLC  
Philadelphia, Mississippi  
August 8, 2005

*Watkins, Ward and Stafford, PLLC*

**NEWTON COUNTY**

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

**Schedule 1**

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

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

**Schedule 2**

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
10/3/2003	Bridge	\$ 52,405.00	Joe McGee Construction	The bridge poses a health hazard to the community (Airport Rd)
12/18/2003	Culverts	2,171.60	Hanson Pipe & Products	Flood damage (Wells Rd and Chunky-Duffy Rd)
4/5/2004	Bridge	97,200.00	Jordan Crane Service, Inc.	The bridge poses a health hazard to the community (Potterchitto Rd)
5/20/2004	Bridge	29,150.00	Jordan Crane Service, Inc.	The bridge poses a health hazard to the citizens of Newton County (Magee Rd)



**NEWTON COUNTY****Schedule 3****Schedule of Purchases Made Noncompetitively From A Sole Source  
For the Year Ended September 30, 2003**

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
5/20/2004	Scale repair	\$ 5,920	System Scale Corporation

**NEWTON COUNTY**

**SCHEDULE OF FINDINGS**

## NEWTON COUNTY

### Schedule of Findings For the Year Ended September 30, 2004

#### Section 1: Summary of Auditors Results

##### **Financial Statements:**

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

#### Section 2: Financial Statement Findings

##### **Circuit Clerk**

##### 04-01 Finding

The following internal control weaknesses were noted in test performed on Circuit Clerk's office:

- A. Deposits are not made in a timely manner.
- B. Receipts were not utilized in numerical order.
- C. The computer generated receipt does not list payee or method of payment.
- D. Deposit slips do not list payee, only case number.

##### Recommendation

The Circuit Clerks Office should implement policies and procedures to correct the above noted weaknesses. At a minimum, the office should implement the following procedures:

- A. Deposits should be made in a timely manner (daily).
- B. Receipts should be utilized in numerical order and should be accounted for.
- C. Receipts should contain both payee and method of payment.
- D. Deposit slips should be completed to show payee and method of payment.

##### Response

- A. Deposits are now being made daily.
- B. All receipts are now being used numerically.
- C. We are working with our software provider on correcting this.
- D. Effective July 15, 2005, deposit slips are being completed as recommended.



**Watkins, Ward and Stafford**  
Professional Limited Liability Company  
Certified Public Accountants

James L. Stafford, CPA  
Harry W. Stevens, CPA  
Boyd M. Edwards, CPA  
Paul A. Ray, CPA  
S. Keith Winfield, CPA  
William B. Stagers, CPA  
Aubrey R. Holder, CPA  
David M. Howell, CPA  
Michael W. McCully, CPA  
Mori Stroud, CPA  
Gary C. Hamilton, CPA

R. Steve Sinclair, CPA  
Michael L. Pierce, CPA  
Marsha L. McDonald, CPA  
Wanda S. Holley, CPA  
Robin Y. McCormick, CPA/PFS  
J. Randy Scrivner, CPA  
Kimberly S. Caskey, CPA  
Susan M. Lummus, CPA  
Thomas J. Browder, CPA  
Stephen D. Flake, CPA  
John N. Russell, CPA

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

Members of the Board of Supervisors  
Newton County, Mississippi

In planning and performing our audit of the financial statements of Newton County, Mississippi for the year ended September 30, 2004, we considered Newton 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 Newton 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 August 8, 2005, on the financial statements of Newton County, Mississippi.

These review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations and other matters that are opportunities for strengthening internal controls and operating efficiency. Our findings and recommendations and your responses are disclosed below:

## Board of Supervisors

### 1. Finding

As reported in prior year's audit reports, Section 19-9-9, Miss. Code Ann. (1972), requires the Board of Supervisors to levy sufficient taxes to provide for the payment of bonded debt. The Beat 5 Bond I & S and Beat 4 Bond I & S levies were not sufficient to pay the yearly bond principal and interest payments, and as a result, funds were borrowed from the Beat 5 Road Maintenance Fund and Beat 4 Bridge and Culvert Fund to pay the bonded debt payments.

### Recommendation

The Board of Supervisors should increase the Beat 5 Bond I & S levy and the Beat 4 Bond I & S levy to provide sufficient funds to pay yearly obligations.

### Response

This problem has been corrected for the 2006 fiscal year.

## Chancery Clerk

### 2. Finding

Sections 19-3-5, 19-19-3, 19-11-7, Miss Code Ann. (1972), requires that county officials be properly bonded as follows: Supervisors \$100,000 (Section 19-3-5), Constables \$25,000 (Section 19-19-3) and Justice Court Judges \$10,000 (Section 9-11-7)

### Recommendation

We recommend Newton County comply with Sections 19-3-5, 19-19-3, 19-11-7, Miss. Code Ann. (1972) and properly bond county officials.

### Response

The insurance company handling the bonds in question failed to send in renewal notices to the county. The problem has been corrected. All officials are properly bonded.

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.

Watkins, Ward and Stafford, PLLC  
Philadelphia, Mississippi  
August 8, 2005

*Watkins, Ward and Stafford, PLLC*