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NOXUBEE COUNTY, MISSISSIPPI
AUDITED PRIMARY GOVERNMENT
FINANCIAL STATEMENTS AND
SPECIAL REPORTS

For the Year Ended September 30, 2004

NOXUBEE COUNTY, MISSISSIPPI

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NOXUBEE COUNTY, MISSISSIPPI

FINANCIAL AUDIT REPORT

For the Year Ended September 30, 2004

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

MEMBERS OF THE BOARD OF SUPERVISORS
NOXUBEE COUNTY, MISSISSIPPI

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

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

The financial statements referred to above include only the primary government of Noxubee 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 no purport to, and do not, present fairly the financial position of the reporting entity of Noxubee County, Mississippi, as of September 30, 2004, and the respective changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2005, on our consideration of Noxubee 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.

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

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise Noxubee 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. The accompanying Reconciliation of Operating Costs of Solid Waste is also presented for purposes of additional analysis 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.

Rea, Shaw, Giffin & Stuart, LLP

REA, SHAW, GIFFIN & STUART, LLP

Meridian, Mississippi
June 28, 2005

NOXUBEE COUNTY, MISSISSIPPI
PRIMARY GOVERNMENT FINANCIAL STATEMENTS

NOXUBEE COUNTY**Exhibit 1****STATEMENT OF NET ASSETS**

September 30, 2004

ASSETS

Cash and investments	\$ 1,873,937
Property tax receivable	3,607,662
Accounts receivable, net of allowance for uncollectibles of \$422,036	208,100
Fines receivable, net of allowance for uncollectibles of \$558,687	77,988
Loan receivable	831,058
Intergovernmental receivables	41,323
Other receivable	62,726
Capital assets, net	<u>14,398,187</u>
Total assets	<u>\$ 21,100,981</u>

LIABILITIES

Claims payable	\$ 239,026
Intergovernmental payables	260,585
Deferred revenue	3,653,746
Long-term liabilities	
Due within one year:	
Capital related debt	210,570
Non-capital debt	565,327
Due in more than one year:	
Capital related debt	658,822
Non-capital debt	<u>1,169,780</u>
Total liabilities	<u>\$ 6,757,856</u>

NET ASSETS

Invested in capital assets, net of related debt	\$ 13,528,795
Restricted for:	
Public works	778,646
Economic development	866,870
Unemployment compensation	18,631
Capital projects	7,561
Other purposes	27,365
Unrestricted (deficit)	<u>(884,743)</u>
Total Net Assets	<u>\$ 14,343,125</u>

The Notes to Financial Statements are an integral part of this statement.

NOXUBEE COUNTY

Exhibit 2

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2004

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and Changes</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>in Net Assets</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Governmental</u>
					<u>Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 1,795,036	\$ 183,420	\$ -	\$ -	\$ (1,611,616)
Public safety	1,055,400	149,986	172,001	-	(733,413)
Public works	2,570,223	549,620	1,470,513	138,539	(411,551)
Health and welfare	161,601	-	18,509	-	(143,092)
Culture and recreation	61,099	-	-	-	(61,099)
Education	496,101	-	-	-	(496,101)
Conser. of natural resources	63,957	-	-	-	(63,957)
Economic development	353,062	-	188,754	-	(164,308)
Interest on long-term debt	109,097	-	-	-	(109,097)
Total governmental activities	<u>\$ 6,665,576</u>	<u>\$ 883,026</u>	<u>\$ 1,849,777</u>	<u>\$ 138,539</u>	<u>\$ (3,794,234)</u>
General revenues:					
Taxes:					
Property taxes					\$ 3,716,442
Road & bridge privilege taxes					112,170
Grants and contributions not restricted to specific programs					370,436
Unrestricted investment income					31,469
Miscellaneous					69,716
Gain on sale of capital assets					21,781
Extraordinary item - TVA closed a cash account during the year					(27,225)
Total general revenues and extraordinary item					<u>\$ 4,294,789</u>
Change in net assets					<u>\$ 500,555</u>
Net Assets - Beginning					\$ 10,757,189
Prior period adjustment					3,085,381
Net Assets - Beginning, as restated					<u>\$ 13,842,570</u>
Net Assets - Ending					<u>\$ 14,343,125</u>

The Notes to Financial Statements are an integral part of this statement.

NOXUBEE COUNTY

Exhibit 3

BALANCE SHEET – GOVERNMENTAL FUNDS

September 30, 2004

	<u>Major Funds</u>			
	General Fund	Pride of the South Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 857,771	\$ -	\$ 1,016,166	\$ 1,873,937
Property tax receivable	2,907,366	-	700,296	3,607,662
Accounts receivable, net	208,100	-	-	208,100
Fines receivable, net	77,988	-	-	77,988
Loan receivable	-	831,058	-	831,058
Intergovernmental receivables	41,323	-	-	41,323
Other receivable	-	-	62,726	62,726
Due from other funds	-	-	29,495	29,495
Total assets	<u>\$ 4,092,548</u>	<u>\$ 831,058</u>	<u>\$ 1,808,683</u>	<u>\$ 6,732,289</u>
LIABILITIES & FUND BALANCES				
Liabilities:				
Claims payable	\$ 50,817	\$ -	\$ 188,209	\$ 239,026
Intergovernmental payables	68,291	-	6,079	74,370
Due to other funds	215,710	-	-	215,710
Deferred revenue	<u>3,193,454</u>	<u>-</u>	<u>746,380</u>	<u>3,939,834</u>
Total liabilities	<u>\$ 3,528,272</u>	<u>\$ -</u>	<u>\$ 940,668</u>	<u>\$ 4,468,940</u>
Fund balances:				
Reserved for:				
Loan receivable	\$ -	\$ 831,058	\$ -	\$ 831,058
Unemployment	-	-	18,631	18,631
Unreserved, reported in:				
General fund	564,276	-	-	564,276
Special revenue funds	-	-	841,823	841,823
Capital project funds	<u>-</u>	<u>-</u>	<u>7,561</u>	<u>7,561</u>
Total fund balances	<u>\$ 564,276</u>	<u>\$ 831,058</u>	<u>\$ 868,015</u>	<u>\$ 2,263,349</u>
Total liabilities & fund balances	<u>\$ 4,092,548</u>	<u>\$ 831,058</u>	<u>\$ 1,808,683</u>	<u>\$ 6,732,289</u>

The Notes to Financial Statements are an integral part of this statement.

NOXUBEE COUNTY**Exhibit 3.1****RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

September 30, 2004

Total fund balance - governmental funds	\$ 2,263,349
Amounts reported for governmental services in the statement of net assets (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (Note 6):	
Capital assets net of depreciation as of 10/1/03	\$ 11,570,773
Plus adjustments to add book value of assets acquired in prior years but never put on the inventory listing	2,767,599
Plus capital outlay expenditures made during year	2,076,651
Less depreciation expense recorded during year	(701,355)
Less net book value of capital assets sold during year	(587,997)
Less adjustments for amounts under threshold	<u>(727,484)</u>
	\$ 14,398,187
Accounts receivable that have accrued at year end but are not available to liquidate liabilities of the current period are not reported in the funds	\$ 208,100
Fines receivable that have accrued at year end but are not available to liquidate liabilities of the current period are not reported in the funds	\$ 77,988
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Long-term liabilities (Note 9)	<u>\$ (2,604,499)</u>
Total net assets - governmental activities	<u>\$ 14,343,125</u>

The Notes to Financial Statements are an integral part of this statement.

NOXUBEE COUNTY

Exhibit 4

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2004

	<u>Major Funds</u>			
	<u>General Fund</u>	<u>Pride of the South Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 2,501,586	\$ -	\$ 1,214,856	\$ 3,716,442
Road and bridge privilege taxes	-	-	112,170	112,170
Licenses, commissions and other revenue	85,943	-	13,877	99,820
Fines and forfeitures	108,105	-	-	108,105
Intergovernmental revenues	383,970	34,427	3,200,091	3,618,488
Charges for services	125,481	-	549,620	675,101
Interest income	20,115	-	11,354	31,469
Miscellaneous revenues	53,129	-	16,587	69,716
Total Revenues	<u>\$ 3,278,329</u>	<u>\$ 34,427</u>	<u>\$ 5,118,555</u>	<u>\$ 8,431,311</u>
EXPENDITURES				
Current:				
General government	\$ 1,796,829	\$ -	\$ 1,839	\$ 1,798,668
Public safety	808,705	-	150,371	959,076
Public works	3,010	-	3,771,029	3,774,039
Health and welfare	161,601	-	-	161,601
Culture and recreation	51,398	-	9,701	61,099
Education	10,117	-	485,984	496,101
Conservation of natural resources	63,957	-	-	63,957
Economic development and assistance	61,849	-	291,213	353,062
Debt service:				
Principal	522,942	54,336	194,645	771,923
Interest	47,841	34,427	26,829	109,097
Total Expenditures	<u>\$ 3,528,249</u>	<u>\$ 88,763</u>	<u>\$ 4,931,611</u>	<u>\$ 8,548,623</u>
Excess of Expenditures over Revenues	<u>\$ (249,920)</u>	<u>\$ (54,336)</u>	<u>\$ 186,944</u>	<u>\$ (117,312)</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	\$ -	\$ -	\$ 19,935	\$ 19,935
Proceeds from other debt	500,000	-	30,000	530,000
Proceeds from sale of capital assets	-	-	70,961	70,961
Transfers in	49,910	-	-	49,910
Transfers out	-	-	(9,255)	(9,255)
Total Other Financing Sources and Uses	<u>\$ 549,910</u>	<u>\$ -</u>	<u>\$ 111,641</u>	<u>\$ 661,551</u>
EXTRAORDINARY ITEM - TVA closed a cash account during the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (27,225)</u>	<u>\$ (27,225)</u>
Net Changes in Fund Balances	\$ 299,990	\$ (54,336)	\$ 271,360	\$ 517,014
Fund Balances - Beginning	<u>\$ 264,286</u>	<u>\$ 885,394</u>	<u>\$ 596,655</u>	<u>\$ 1,746,335</u>
Fund Balances - Ending	<u>\$ 564,276</u>	<u>\$ 831,058</u>	<u>\$ 868,015</u>	<u>\$ 2,263,349</u>

The Notes to Financial Statements are an integral part of this statement.

NOXUBEE COUNTY**Exhibit 4.1****RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2004

Net changes in fund balances - governmental funds (Exhibit 4)	\$ 517,014
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Amounts reported for governmental activities in the statement of activities (Exhibit 2)
are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that depreciation (\$701,355) exceeded capital outlays (\$545,733) in the current period.	(155,622)
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In the statement of activities, only gains and losses from the sale of capital assets are reported, whereas in the governmental funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount that proceeds from the sale (\$70,961) exceeded the gain (\$21,781) in the current period.	(49,180)
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Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments (\$771,923) exceeded debt proceeds (\$549,935).	221,988
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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. Thus, the change in net assets differs from the change in fund balances by the increase in compensated absences.	<u>(33,645)</u>
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Change in net assets of governmental activities (Exhibit 2)	<u>\$ 500,555</u>
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The Notes to Financial Statements are an integral part of this statement.

NOXUBEE COUNTY**Exhibit 8****STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**

September 30, 2004

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 31,895
Due from other funds	<u>186,215</u>
Total assets	<u>\$ 218,110</u>
 LIABILITIES	
Accrued liabilities	\$ 18,829
Intergovernmental payables	<u>199,281</u>
Total liabilities	<u>\$ 218,110</u>

The Notes to Financial Statements are an integral part of this statement.

NOXUBEE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2004

Note 1. Significant Accounting Policies

A. Financial Reporting Entity

Noxubee 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 Noxubee 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.

- Noxubee County Library
- Noxubee County General Hospital
- Noxubee County Economic Development District

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

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

B. Basis of Presentation

The county's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements, which provide a detailed level of financial information.

NOXUBEE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2004

Note 1. Significant Accounting Policies (continued)

Government-wide Financial Statements

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

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

Fund Financial Statements

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

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund 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

NOXUBEE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2004

Note 1. Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied.

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

The county reports the following major governmental funds:

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

Pride of the South Fund – Accounts for monies received from a local industry that are then sent to the appropriate governmental entity for repayment of a CDBG loan granted in a prior year.

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.

NOXUBEE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2004

Note 1. Significant Accounting Policies (continued)

Governmental Fund Types (continued)

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.

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.

D. Account Classifications

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

E. Deposits and Investments

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

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

NOXUBEE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2004

Note 1. Significant Accounting Policies (continued)

F. Receivables

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

G. Interfund Transactions and Balances

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

H. Prepaid Items

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

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

NOXUBEE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2004

Note 1. Significant Accounting Policies (continued)

I. Capital Assets (continued)

General infrastructure assets include all roads and bridges and other infrastructure assets acquired prior to October 1, 2002, as well as those acquired subsequent to October 1, 2002.

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. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds.

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

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

General infrastructure assets reported on the government-wide financial statements include all roads and bridges and other infrastructure assets acquired prior to October 1, 2002, as well as those acquired subsequent to October 1, 2002.

J. Long-term Liabilities

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

NOXUBEE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2004

Note 1. Significant Accounting Policies (continued)

K. 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 improvement 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, with unreserved classified as designated and undesignated.

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.

L. 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.

NOXUBEE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2004

Note 1. Significant Accounting Policies (continued)

L. Property Tax Revenues (continued)

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.

M. 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.

N. 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. Therefore, the county's full liability in the amount of \$112,604 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.

NOXUBEE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2004

Note 2. Prior Period Adjustment

A summary of the significant fund equity adjustment on Exhibit 2 – Statement of Activities is as follows:

Explanation	Amount
During the fiscal year ended September 30, 2004, the County added several old infrastructure items that should have been recorded in prior years. The items mainly consisted of additional buildings within the County as well as some roads and bridges.	<u>\$ 3,085,381</u>
Total prior period adjustment	<u>\$ 3,085,381</u>

Note 3. Deposits

The carrying amount of the county's total deposits with financial institutions at September 30, 2004, was \$1,905,832, and the bank balance was \$2,035,518. The collateral for public entities' deposits in financial institutions are 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.

NOXUBEE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2004

Note 4. Interfund Transactions and Balances

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

Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	
Other Governmental Funds	General Fund	\$ 29,495
Agency fund	General fund	<u>186,215</u>
Total		<u>\$ 215,710</u>

The receivables represent the tax revenue collected but not settled until October 2004. Also, the amount payable to agency fund includes money borrowed by the general fund during the year which is expected to be repaid within one year.

Transfers In/Out

<u>Transfer In</u>	<u>Transfer Out</u>	
General Fund	Other Governmental Funds	\$ 9,255
General Fund	Agency Fund	<u>40,655</u>
Total		<u>\$ 49,910</u>

The principal purpose of interfund transfers was to provide funds for grant matches and to provide funds for capital outlay.

Note 5. Intergovernmental Receivables

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

Governmental Activities

Legislative tag credit	<u>\$ 41,323</u>
------------------------	------------------

Note 6. Loan Receivable

Loan 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 Receivable</u>
Pride of the South Catfish, Inc.	06/01	4.0	06/16	<u>\$ 831,058</u>

NOXUBEE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2004

Note 7. Capital Assets

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

Governmental activities:

	Balance 10/1/03	Addition	Deletion	Adjustment	Balance 9/30/04
<u>Non-depreciable capital assets:</u>					
Land	\$ 340,451	\$ -	\$ (6,795)	\$ -	\$ 333,656
Construction in progress	506,680	1,306,311	(443,352)	-	1,369,639
Total non-depreciable capital assets	<u>\$ 847,131</u>	<u>\$ 1,306,311</u>	<u>\$ (450,147)</u>	<u>\$ -</u>	<u>\$ 1,703,295</u>
<u>Depreciable capital assets:</u>					
Infrastructure	\$ 14,406,051	\$ 454,736	\$ -	\$ 272,273	\$ 15,133,060
Buildings	2,792,071	30,000	-	2,894,340	5,716,411
Improvements other than buildings	-	78,166	-	(808)	77,358
Mobile equipment	2,175,025	75,447	(438,584)	126,331	1,938,219
Furniture and equipment	605,838	112,056	(38,015)	(529,702)	150,177
Property under capital leases	1,171,573	19,935	(42,708)	507,857	1,656,657
Total depreciable capital assets	<u>\$ 21,150,558</u>	<u>\$ 770,340</u>	<u>\$ (519,307)</u>	<u>\$ 3,270,291</u>	<u>\$ 24,671,882</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	\$ 5,975,810	\$ 315,342	\$ -	\$ 402,879	\$ 6,694,031
Buildings	1,703,696	81,902	-	820,444	2,606,042
Improvements other than buildings	-	3,095	-	-	3,095
Mobile equipment	1,800,723	63,398	(381,457)	50,989	1,533,653
Furniture and equipment	392,168	16,094	-	(347,627)	60,635
Property under capital leases	554,519	221,524	-	303,491	1,079,534
Total accumulated depreciation	<u>\$ 10,426,916</u>	<u>\$ 701,355</u>	<u>\$ (381,457)</u>	<u>\$ 1,230,176</u>	<u>\$ 11,976,990</u>
Total depreciable capital assets, net	<u>\$ 10,723,642</u>	<u>\$ 68,985</u>	<u>\$ (137,850)</u>	<u>\$ 2,040,115</u>	<u>\$ 12,694,892</u>
Governmental activities capital assets, net	<u>\$ 11,570,773</u>	<u>\$ 1,375,296</u>	<u>\$ (587,997)</u>	<u>\$ 2,040,115</u>	<u>\$ 14,398,187</u>

NOXUBEE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2004

Note 7. Capital Assets (continued)

The adjustments are to correct classifications and errors, to adjust for items under thresholds, and adjust for infrastructure asset amounts acquired in prior years' but not previously recorded.

Depreciation expense was charged to the governmental functions as follows:

General government	\$ 113,055
Public safety	127,815
Public works	<u>460,485</u>
Total governmental activities depreciation expense	<u>\$ 701,355</u>

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 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.

NOXUBEE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2004

Note 9. Capital Leases

As Lessee

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

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 984,563
Furniture and equipment	<u>672,094</u>
	\$ 1,656,657
Less: Accumulated depreciation	<u>1,079,534</u>
Leased Property under Capital Leases	<u>\$ 577,123</u>

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

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 150,949	\$ 25,553
2006	115,587	19,541
2007	110,829	14,289
2008	61,937	9,960
2009	52,020	7,135
2010 - 2011	<u>73,451</u>	<u>6,372</u>
Total	<u>\$ 564,773</u>	<u>\$ 82,850</u>

NOXUBEE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2004

Note 10. Long-term Debt

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. Capital Leases:			
Voting system	\$ 80,571	4.97	06/09
Beat 1 Caterpillar 140H motor grader	53,673	5.50	01/08
Beat 5 Caterpillar 140H motor grader	51,155	5.50	12/07
Beat 5 2004 GMC Sierra pickup	17,596	3.59	04/08
(2) Sterling garbage trucks w/Heil packers	17,896	5.79	03/05
Beat 2 John Deere tractor w/side mower	12,139	6.19	05/05
Beat 5 New Holland LB75 backhoe	7,394	6.29	09/05
Three fire trucks	227,038	5.85	07/11
(2) 2003 Ford Crown Victorias	25,593	3.59	04/07
Equipment for (2) police cruisers	6,774	3.59	07/07
Hardware upgrade & software	50,620	3.99	11/07
Movable shelving system	3,605	6.50	10/05
Extension service phone system	2,312	11.50	08/07
Beat 3 1991 Case tractor w/boom	8,407	4.19	12/06
Total Capital Leases	<u>\$ 564,773</u>		
B. Other Loans:			
Tax anticipation note	\$ 450,000	3.00	04/05
Tax anticipation note	30,000	3.00	04/05
E-911 equipment	291,283	5.49	01/09
Capital improvements revolving loan	310,693	4.00	02/14
Pride of the South Catfish, Inc. community development block grant #00-052-RV-LN01	831,058	4.00	06/16
Bankfirst used 580 case backhoe	13,336	5.00	11/06
(225) Garbage containers	752	4.94	01/05
Total Other Loans	<u>\$ 1,927,122</u>		

NOXUBEE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2004

Note 10. Long-term Debt (continued)

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

Year Ending September 30	Other Loans	
	Principal	Interest
2005	\$ 624,948	\$ 60,961
2006	149,746	54,348
2007	149,363	47,486
2008	156,370	40,479
2009	163,713	33,136
2010 - 2014	533,207	83,694
2015 - 2016	149,775	5,552
Total	<u>\$ 1,927,122</u>	<u>\$ 325,656</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 2.25% of the latest property assessments.

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

Governmental Activities:	Balance 10/1/2003	Additions	Reductions	Adj	Balance 9/30/2004	Amount due within one year
Compensated absences	\$ 78,959	\$ 33,645	\$ -	\$ -	\$ 112,604	**
Capital leases	757,953	19,935	(213,115)	-	564,773	150,949
Other loans	<u>1,955,930</u>	<u>530,000</u>	<u>(558,808)</u>	-	<u>1,927,122</u>	<u>624,948</u>
Total long-term liabilities	<u>\$ 2,792,842</u>	<u>\$ 583,580</u>	<u>\$ (771,923)</u>	<u>\$ -</u>	<u>\$ 2,604,499</u>	<u>\$ 775,897</u>

** Due to immateriality, the current portion of compensated absences has not been estimated.

NOXUBEE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2004

Note 11. Contingencies

Federal Grants

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

Litigation

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

General Obligation Debt Contingencies

The County issued general obligation bonds to provide funds for constructing and improving capital facilities of the Noxubee County General Hospital. Such debt is being retired from pledged resources of this entity and, therefore, is reported as a liability of that entity. However, because general obligation bonds are backed by the full faith, credit and taxing power of the county, the county remains contingently liable for its retirement. The principal amount of such debt outstanding at year end is as follows:

<u>Description</u>	<u>Balance Sept. 30, 2004</u>
General obligation nursing home bonds	<u>\$ 862,003</u>

NOXUBEE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2004

Note 12. Joint Venture

The county participates in the following joint venture:

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

Note 13. Jointly Governed Organizations

The county participates in the following jointly governed organizations:

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

Community Counseling Services operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Noxubee County Board of Supervisors appoints one of the seven members of the board of commissioners. The county appropriated \$20,900 for support of the agency in fiscal year 2004.

Golden Triangle Planning and Development District provides services for the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Noxubee County Board of Supervisors appoints four of the 28 members of the board of directors. The county contributes a small percentage of the district's total revenue.

East Mississippi Community College operates in a district composed of the Counties of Clay, Kemper, Lauderdale, Lowndes, Noxubee and Oktibbeha. The Noxubee County Board of Supervisors appoints two of the 12 members of the college board of trustees. The county appropriated \$225,968 for maintenance and support of the college in fiscal year 2004.

NOXUBEE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2004

Note 14. Defined Benefit Pension Plan

Plan Description

The county 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 \$156,075, \$163,650 and \$162,821, respectively, equal to the required contributions for each year.

Note 15. Extraordinary Item

Many years ago, the County was involved in a grant program with the TVA and the money for the grant was deposited into a bank account under the County's taxpayer identification number. However, signature authority on the account belonged to someone with the TVA and upon completion of the grant program a small amount of money remained in the account accruing interest. This money sat in the account for many years while the County tried to get the TVA to do something with it. Finally, the money was taken out of the account this year. Since this occurrence is both unusual and infrequent in nature, we have accounted for it as an extraordinary item.

NOXUBEE COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2004

Note 16. Subsequent Events

Subsequent to September 30, 2004, Noxubee County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
3/05	4.49%	\$ 109,862	Lease Purchase	Ad Valorem Taxes
6/05	4.75%	24,235	Lease Purchase	Ad Valorem Taxes
6/05	4.75%	<u>15,035</u>	Lease Purchase	Ad Valorem Taxes
		<u>\$ 149,132</u>		

In the fiscal year ending in 2005, the Board of Supervisors elected to not levy 2 mills to support the Noxubee County Economic Development Authority as the County has done in the past. Furthermore, the Board of Supervisors terminated the appointments of the five board members that had been selected in the past to represent the County. The City of Macon did the same with the two board members serving on the City's behalf. With the removal of seven of the eleven board members, the Noxubee County Economic Development Authority ceased to exist. The Board of Supervisors did include \$50,675 in the County's FY 2005 budget to hire a secretary to coordinate the Board's economic development activities, to pay for office expenses, and to purchase consultant services for economic development. The balance remaining in the Authority's checking account of \$31,743 was settled to the County and deposited into the economic development fund for which it was levied. The County has used some of these funds to help settle final expenses of the Authority and to pay an economic development consultant in FY 2005.

The Board has accepted a bid for one rear-loading garbage truck from Waters Truck and Tractor for \$106,503, which will be financed over a five-year period. Financing details have not yet been completed and the County has not yet taken delivery of the truck.

There have been no additional tax anticipation loans made since September 30, 2004 and all tax anticipation loans outstanding at that date have been paid.

SUPPLEMENTAL INFORMATION

NOXUBEE COUNTY

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

For the Year Ended September 30, 2004

	Budgeted Amounts		Actual	Variances	
			Non-GAAP	Original	Final
	Original	Final	Budgetary Basis	to Final	to Actual
REVENUES					
Property taxes	\$ 2,602,661	\$ 2,502,672	\$ 2,502,672	\$ (99,989)	\$ -
Licenses, commissions and other revenue	110,300	94,787	94,787	(15,513)	-
Fines and forfeitures	119,020	108,105	108,105	(10,915)	-
Intergovernmental revenues	506,600	541,661	541,661	35,061	-
Charges for services	109,625	125,481	125,481	15,856	-
Interest income	10,000	20,071	20,071	10,071	-
Miscellaneous revenues	52,100	41,640	41,640	(10,460)	-
Total Revenues	\$ 3,510,306	\$ 3,434,417	\$ 3,434,417	\$ (75,889)	\$ -
EXPENDITURES					
Current					
General government	\$ 2,023,247	\$ 1,734,422	\$ 1,734,422	\$ 288,825	\$ -
Public safety	832,274	892,577	892,577	(60,303)	-
Public works	3,200	3,010	3,010	190	-
Health and welfare	177,152	161,637	161,637	15,515	-
Culture and recreation	51,398	51,398	51,398	-	-
Education	170,700	167,808	167,808	2,892	-
Conservation of natural resources	62,039	65,731	65,731	(3,692)	-
Economic development and assistance	57,928	52,949	52,949	4,979	-
Debt service	539,098	454,348	454,348	84,750	-
Total Expenditures	\$ 3,917,036	\$ 3,583,880	\$ 3,583,880	\$ 333,156	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ (406,730)	\$ (149,463)	\$ (149,463)	\$ 257,267	\$ -
Other Financing Sources (Uses)	\$ 400,000	\$ 485,705	\$ 485,705	85,705	-
Net Change in Fund Balances	\$ (6,730)	\$ 336,242	\$ 336,242	\$ 342,972	\$ -
Fund Balance - Beginning	350,927	350,927	350,927		
Fund Balance - Ending	\$ 344,197	\$ 687,169	\$ 687,169		

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

NOXUBEE COUNTY

BUDGETARY COMPARISON SCHEDULE FOR THE PRIDE OF THE SOUTH FUND

For the Year Ended September 30, 2004

	Budgeted Amounts		Actual Non-GAAP Budgetary Basis	Variances Favorable (Unfavorable)	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Road and bridge privilege taxes	-	-	-	-	-
Licenses, commissions and other revenue	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Intergovernmental revenues	-	-	-	-	-
Interest income	-	-	-	-	-
Miscellaneous revenues	-	-	-	-	-
Total Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES					
Current					
Debt service	<u>\$ 88,752</u>	<u>\$ 88,763</u>	<u>\$ 88,763</u>	<u>\$ (11)</u>	<u>\$ -</u>
Total Expenditures	<u>\$ 88,752</u>	<u>\$ 88,763</u>	<u>\$ 88,763</u>	<u>\$ (11)</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (88,752)</u>	<u>\$ (88,763)</u>	<u>\$ (88,763)</u>	<u>\$ (11)</u>	<u>\$ -</u>
Other Financing Sources	<u>\$ 88,752</u>	<u>\$ 88,763</u>	<u>\$ 88,763</u>	<u>\$ 11</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>		
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		

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

NOXUBEE COUNTY

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended September 30, 2004

Note 1. 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 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.

Note 2. 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.

Note 3. 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).

Note 3. Budget/GAAP Reconciliation (continued)

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	Pride of the South Fund
Budget (Cash Basis)	\$ 336,242	\$ -
Increase (Decrease)		
Net adjustments for revenue accruals	(154,615)	-
Net adjustments for expenditure accruals	<u>118,363</u>	<u>-</u>
GAAP Basis	<u>\$ 299,990</u>	<u>\$ -</u>

NOXUBEE COUNTY

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 the Interior Fish and Wildlife Service	15.608	401813G067	\$ 759,916
Total expenditures of major federal awards			<u>\$ 759,916</u>
OTHER FEDERAL AWARDS			
U.S. Department of Housing and Urban Development/ Passed through the Mississippi Development Authority, Community Services Division/ Home Investment Partnerships Program Grant	14.239	M03-SG-280-935	\$ 188,754
Total U.S. Department of Housing and Urban Development			<u>\$ 188,754</u>
U.S. Department of Transportation - Federal Highway Administration/Passed through the Mississippi Department of Transportation/ Highway Planning and Construction	20.205	N/A	\$ 16,310
Total U.S. Department of Transportation			<u>\$ 16,310</u>
U.S. Department of Justice - Office of Justice Programs/Local Law Enforcement Block Grant Program	16.592	2003-LB-BX-1233	\$ 2,641
U.S. Department of Justice - Federal Emergency Management Agency/Mississippi Emergency Management Agency/Domestic Preparedness Equipment Grants	97.004	3SUP-83 & 3SSG-3056	\$ 90,976
Total U.S. Department of Justice			<u>\$ 93,617</u>
Total expenditures of other federal awards			<u>\$ 298,681</u>
Total expenditures of federal awards			<u>\$ 1,058,597</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.

NOXUBEE COUNTY

RECONCILIATION OF OPERATING COSTS OF SOLID WASTE

For the Year Ended September 30, 2004

OPERATING EXPENDITURES, CASH BASIS

Salaries	\$	253,137
Expendable Commodities		
Gasoline and petroleum products		48,417
Repair parts		36,590
Utilities		4,619
Feeding of prisoners		21,043
Maintenance		21,090
Contractual disposal services		186,637
Insurance and equipment		<u>60,981</u>

 Solid Waste Cash Basis Operating Expenditures \$ 632,514

FULL COST EXPENSES

Indirect administrative costs	\$	6,083
Depreciation on equipment		39,702
Interest on solid waste debt		<u>2,457</u>

 Solid Waste Full Cost Operating Expenses \$ 680,756

NOXUBEE COUNTY, MISSISSIPPI
SPECIAL REPORTS

**INDEPENDENT AUDITORS' 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***

TO THE MEMBERS OF THE BOARD OF SUPERVISORS
NOXUBEE COUNTY, MISSISSIPPI

We have audited the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Noxubee 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 June 28, 2005. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Noxubee 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 Noxubee County, Mississippi's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 04-1, 04-2, 04-3 and 04-4.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 04-1, 04-2, and 04-4 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Noxubee County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit; and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of noncompliance that we have reported to the management of Noxubee County, Mississippi in our Independent Auditors' Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules dated June 28, 2005, included within this document.

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

Rea, Shaw, Giffin & Stuart, LLP

REA, SHAW, GIFFIN & STUART, LLP

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

TO THE MEMBERS OF THE BOARD OF SUPERVISORS
NOXUBEE COUNTY, MISSISSIPPI

Compliance

We have audited the compliance of Noxubee 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 its major federal program for the year ended September 30, 2004. Noxubee County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Noxubee County, Mississippi's management. Our responsibility is to express an opinion on Noxubee 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 Noxubee 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 Noxubee County, Mississippi's compliance with those requirements.

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

Internal Control Over Compliance

The management of Noxubee 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 Noxubee County, Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

Rea, Shaw, Giffin & Stuart, LLP

REA, SHAW, GIFFIN & STUART, LLP

**INDEPENDENT AUDITORS' REPORT
ON CENTRAL PURCHASING SYSTEM, INVENTORY CONTROL SYSTEM
AND PURCHASE CLERK SCHEDULES**

TO THE MEMBERS OF THE BOARD OF SUPERVISORS
NOXUBEE COUNTY, MISSISSIPPI

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

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

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

Inventory Control Clerk

1. Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory control system. In the course of our audit for the year ended September 30, 2004, audit tests of capital assets revealed the following weaknesses within the inventory control system:

- a. As reported in prior years' audit reports, some items were not tagged with the County's name and/or the assigned asset number.
- b. As reported in prior years' audit reports, the cost basis of certain assets sold during the year was not removed from the capital asset inventory ledger.

Recommendation

The Inventory Control Clerk should establish adequate control procedures to maintain accurate inventory records documenting the existence, completeness and valuation of capital assets and ensure that all assets required by law to be tagged are promptly marked.

Inventory Control Clerk's Response

On a monthly basis I will check the ledger to verify all new purchases to add to the inventory listing. After every board meeting I will check the minutes for any additions or deletions to the inventory listing. Every six months I will conduct a physical inventory of all assets to make sure they are properly marked and all items are in the appropriate places. I will reinforce to all department heads and give them another copy of the fixed asset tracking form, to inform me of all new items purchased; therefore all items should be picked up at the time the assets are received.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Noxubee 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 Noxubee 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.

Rea, Shaw, Giffin & Stuart, LLP

REA, SHAW, GIFFIN & STUART, LLP

Meridian, Mississippi

June 28, 2005

NOXUBEE COUNTY

Schedule 1

SCHEDULE OF PURCHASES NOT MADE FROM THE LOWEST BIDDER

For the Year Ended September 30, 2004

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

NOXUBEE COUNTY

Schedule 2

SCHEDULE OF EMERGENCY PURCHASES

For the Year Ended September 30, 2004

Our test results did not identify any emergency purchases.

NOXUBEE COUNTY

Schedule 3

SCHEDULE OF PURCHASES MADE NONCOMPETITELY FROM A SOLE SOURCE

For the Year Ended September 30, 2004

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

NOXUBEE COUNTY, MISSISSIPPI
SCHEDULE OF FINDINGS

NOXUBEE COUNTY

SCHEDULE OF FINDINGS

For The Year Ended September 30, 2004

SECTION I: 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 statements? | No |
| 3. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Reportable conditions identified that are not considered to be material weaknesses? | Yes |

Federal Awards:

- | | |
|--|-------------|
| 4. Type of auditor's report issued on compliance for major federal program: | Unqualified |
| 5. Internal control over major program: | |
| 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 OMB Circular A-133?: | No |
| 7. Federal program identified as major program: | |
| U.S. Department of the Interior, Fish and Wildlife Service, CFDA No. 15.608 | |
| 8. The dollar threshold used to distinguish between type A and B programs: | \$300,000 |
| 9. Auditee qualified as a low-risk auditee? | No |
| 10. Prior fiscal year audit findings and questioned costs 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 |

NOXUBEE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended September 30, 2004

SECTION II: FINANCIAL STATEMENT FINDINGS

Circuit Clerk

04-1. Finding

As reported in prior years' audit reports, we noted the following deviations from the prescribed accounting system for Circuit Clerks contained in the *Mississippi County Financial Accounting Manual*:

- a. A control account was not maintained for accounts receivable, and no effort is being made to collect accounts receivable in arrears.
- b. Bond records were not maintained.

Recommendation

The Circuit Clerk should comply with the accounting system prescribed in the manual or hire someone to perform these tasks.

Circuit Clerk's Response

I will comply with the stated recommendations.

04-2. Finding

We noted the following deviation from the prescribed accounting system contained in the *Mississippi County Financial Accounting Manual*. The clerk is not preparing the distribution of cash form that is required in order to identify all funds held by the clerk for distribution at year end.

Recommendation

The Circuit Clerk should comply with the accounting system prescribed in the Manual or hire someone to perform this task.

Circuit Clerk's Response

I will comply with the stated recommendation.

SECTION II: FINANCIAL STATEMENT FINDINGS (continued)

Sheriff

04-3. Finding

We noted the following deviation from the prescribed accounting system for Sheriffs contained in the *Mississippi County Financial Accounting Manual*. As reported in prior years' audit reports, deposits were not made in a timely manner. It appears that deposits were only made once a week.

Recommendation

The Sheriff should make more timely deposits.

Sheriff's Response

Whenever we take in money, I will make sure it is deposited timely. We do not take in money everyday.

Justice Court Clerk

04-4. Finding

We noted the following deviation from the prescribed accounting system contained in the *Mississippi County Financial Accounting Manual*. As reported in prior years' audit reports, the clerk is not reconciling the bank statements for the Civil, Criminal, Clearing and Unidentified accounts.

Recommendation

The Justice Court Clerk should comply with the accounting system prescribed in the Manual or hire someone to perform this task.

Justice Court Clerk's Response

I will comply by giving this task top priority over all other work. I shall find the overages in these accounts and adjust them with the account numbers given to me by Delta Computer Systems. They should be reconciled no later than the end of October 2005. I know that this has come up before, but the workload has doubled since then. I see that I have to manage my time more efficiently and I will get this done.

SECTION III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

